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World Business Newspaper http://www.FT.com THURSDAY MAY 8 1997

ICI in £4.9bn chemicals buy

Unilever deal marks 'transformation'

By Jenny Luesby

Imperial Chemical Industries is to buy Unilever's speciality chemicals division for £4.9bn, and sell £3bn of its own industrial chemicals businesses.

The combined deals, some of which have yet to be finalised, amounted to "a complete transformation" of ICI, said Sir Ronald Hampel, chairman. Much of the new ICI will be made up of Unilever businesses under a new name.

Unilever will emerge with a £3bn cash pile, with which to accelerate its drive into developing markets. It plans acquisitions in both its foods and personal products businesses, to lift the share of its sales in developing markets from 30 per cent to 50 per cent within a decade.

ICI's purchase from Unilever, following two weeks of negotiations, will be underpinned by an ambitious financial package.

The group is to borrow $8bn, at an interest rate locked in through hedging arrangements at below 7.5 per cent. Together with a £3.5bn goodwill write-off, this will take ICI's gearing – its debt to equity ratio – to more than 1,000 per cent.

ICI said such a financial stretch was justified by the enhanced growth prospects and profitability promised by the deal. This view appeared to be supported by analysts and shareholders, with the shares *closing up 43p at 757½p.*

Unilever's four businesses have all sustained operating margins of above 20 per cent, compared with ICI's first-quarter margin of less than 4 per cent.

The largest of the four is National Starch, a manufacturer of industrial adhesives as well as starches. The three others are Quest, which makes food flavours and fragrances; Unichema, making chemicals from natural fats; and Crosfield, which specialises in detergent ingredients.

Their combined sales last year amounted to £2.93bn, compared with £10.5bn for ICI.

As part of Unilever, National Starch, for example, was unable to seek contracts from Procter & Gamble, a big buyer of glues and starches, because the US group was Unilever's competitor. As part of ICI, aggressive expansion was planned in this area, said Mr Charles Miller Smith, ICI's chief executive.

Before joining ICI, Mr Miller Smith spent 30 years at Unilever, where he headed Quest, worked within National Starch and spent several years at the chemicals division.

ICI first approached Unilever with an offer last year. Two weeks ago it submitted a higher bid, aided by its ability to deliver a deal rapidly.

It has simultaneously been working on disposals to reduce borrowings. It is to float its 62.4 per cent stake in ICI Australia, which at yesterday's closing price would be worth about £1.1bn.

Another £700m will come through the sale of its Tioxide subsidiary, which makes the pigment for paints and plastics. In February it had announced the planned flotation of this business but has since opened talks with a competitor.

Other businesses that it will be selling, or reducing its interest in, include polyester, fertilisers and chlorine. The group hopes to get out of explosives through an asset swap with its Australian subsidiary.

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Cultural exchange, Page 13

Toyota plans 'new kind of small car' for Europe

Toyota is developing "a completely new kind of small car for the European market" which is likely to start production at a European plant in 2001, said *Hiroshi Okuda*, president of Japan's largest car maker. A decision to go ahead with the venture will be taken around mid-1998 with a number of possible European factory options – including a third phase of expansion at Toyota's Burnaston plant in the UK – still under consideration. Mr Okuda refused to indicate a preferred location to build the car, which would be produced at an annual rate of up to 200,000 a year. Page 15

Technology is top concern: Directors of multinationals based in Europe's biggest trading nations view technological change as a greater challenge to their businesses in the next millennium than the introduction of a single currency, according to accountants Deloitte Touche Tohmatsu. Page 2

Clabecq workers snub rescue plan: Workers at Forges de Clabecq, the bankrupt Belgian steelworks, have rejected a plan which might have allowed part of the business to be sold to a foreign buyer. Page 3

Japan set for stock options: Japan's parliament is poised to pass legislation permitting companies to offer employees stock options for the first time, after a key committee threw its support behind the scheme. Page 14

UK output drops: Manufacturing output in the UK dropped unexpectedly in March, confirming that sterling's strength is eating away at the recovery in industry. Page 9

Trade 'prolonged world war two':

Switzerland and other neutrals boosted Nazi Germany by trading with it and accepting looted gold, says a US report. That "had the clear effect of supporting and prolonging Nazi Germany's capacity to wage war," said report coordinator Stuart Eizenstat (left). Page 14.

France and Germany divided over ECB: France and Germany are locked in a dispute over whether the planned European Central Bank or national central banks should have the power to conduct foreign exchange and some money market operations after the scheduled start of European economic and monetary union in 1999. Page 2

Chirac weighs in with appeal to voters: President Jacques Chirac intervened in France's increasingly close parliamentary election campaign with an attack on the spending and taxing policies of the left and an appeal to voters to back him and his centre-right government. Page 2

China considers bond issues: China may allow large state-owned enterprises to issue bonds on international markets in a move to help finance the reform of state sector companies. Page 14

Weizman and Arafat discuss security: President Ezer Weizman of Israel and Palestinian leader Yassir Arafat have made the first tentative steps towards renewing security co-operation, suspended in March. Page 6

Dalgety to cut dividend: Dalgety, the UK petfood and agribusiness group, is to cut its dividend by a third after warning that second-half profits would fail to match the $70m of the first six months. Page 15; Lex, Page 14

Beijing warms to Jardine: China's top economic official met the chairman of Jardine Matheson in Beijing's leadership compound, signalling a warming of relations with the British-backed Hong Kong conglomerate. Page 15

Lufthansa quarterly profit: Lufthansa presented evidence of success in its drive to cut wage costs as it posted its first ever first-quarter profit despite a 37 per cent surge in fuel prices. Page 15

Russia's new millennium: The Kremlin approved a grand security plan laying out a vision of Russia's role in the world in the 21st century. Page 3

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STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	7179.97	(-45.35)
NASDAQ Composite	1331.05	(+2.75)
Europe and Far East		
CAC40	2643.31	(-8.62)
DAX	3551.98	(-16.30)
FTSE 100	4537.5	(+18.2)
Nikkei	20,048.98	(-132.02)

US LUNCHTIME RATES

Federal Funds	5½%
3-mth Treas Bills: Yld	5.238%
Long Bond	95½
Yield	6.926%

OTHER RATES

UK: 3-mo Interbank	6½%	(6½%)
UK: 10 yr Gilt	101	(101½)
France: 10 yr OAT	98.5	(98.65)
Germany: 10 yr Bund	101.88	(102.02)
Japan: 10 yr JGB	103.9996	(104.036)

NORTH SEA OIL (Argus)

Brent Dated	$17.91	(17.77)

GOLD

New York Comex		
(May)	$341.2	(340.2)
London:		
close	$341.3	(342.75)

DOLLAR

New York lunchtime		
£	1.63645	
DM	1.7285	
FFr	5.833	
SFr	1.4683	
Y	124.93	
London:		
£	1.6365	(1.6366)
DM	1.7194	(1.7231)
FFr	5.8068	(5.818)
SFr	1.4589	(1.4641)
Y	124.845	(125.41)
Tokyo close:	Y 125.65	

STERLING

DM	2.8138	(2.8199)

9 770174 738142

Cook pledges end to battles with Europe

By John Kampfner and Peter Norman in Bonn

Mr Robin Cook yesterday pledged to draw a line under the "sterile, negative and fruitless conflict" between the UK and its neighbours, vowing that Britain would join Germany and France in a "triangular" leading role in the European Union.

The British foreign secretary, in a whirlwind trip to Paris and Bonn, said it was Britain's "firm intention" to reach agreement on EU reforms at next month's intergovernmental conference in Amsterdam. "We want there to be three main players in Europe, not two," he said.

In a demonstration of what the Labour government hopes will be a tripartite relationship, Mr Cook agreed with Mr Hervé de Charette, the French foreign minister, and Mr Klaus Kinkel, his German opposite number, to co-ordinate moves to secure an early international ban on land mines.

Mr Cook's reception in Bonn and Paris was warm, with his counterparts showing ill-concealed relief at the change of tone.

However, Mr Cook insisted Britain would retain control over its borders, and asylum and immigration policy.

It would also reject moves to give the EU overall competence for defence policy, an area he said should remain under Nato.

Britain would also insist on concrete measures to address the quota-hopping issue disrupting the Common Fisheries Policy. But he backed away from suggestions that the UK would allow agreement at Amsterdam to be scuppered.

The French minister for Europe, Mr Michel Barnier, will visit London next month to work out a common Franco-British approach to reforming the three institutions of the EU – the Council, the Commission and parliament.

Mr Cook said the aim was to give "a flying start" to plans for enlargement into central and eastern Europe and to complete the single market – the two main priorities of the

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France and Germany are locked in a dispute over whether the planned European Central Bank or national central banks should have the power to conduct foreign exchange and money market operations after the scheduled start of European economic and monetary union in 1999.

Report, Page 2

UK foreign secretary Robin Cook (left) with German counterpart Klaus Kinkel in Bonn yesterday. Mr Cook said he saw no merits in obstruction for its own sake on European issues. Picture: Reuter

GEC, BAe and Dasa intervene in Thomson auction

By Bernard Gray in London, David Buchan in Paris and Graham Bowley in Frankfurt

General Electric Company, British Aerospace and Daimler-Benz Aerospace (Dasa) yesterday pitched into the auction for Thomson-CSF, the French state-controlled defence electronics company.

Their intervention came as the two main contenders, Alcatel and the Lagardère group of France, submitted their final bids to the French government. The foreign companies stepped in to support the French bids because they view the fate of Thomson as crucial to the restructuring of the European defence electronics sector.

Within minutes of the midday deadline for bids to be lodged in Paris, GEC announced it had agreed with Alcatel and Lagardère to negotiate with whoever wins on links between GEC-Marconi, its defence subsidiary, and Thomson-CSF.

Daimler-Benz Aerospace said it was pooling its defence electronics interests with the Lagardère camp. Dasa also offered encouragement to the Lagardère team in its bid for Thomson, but stopped short of backing it financially.

Dasa said it was throwing its "total and unconditional support" behind Lagardère's bid for Thomson-CSF. Dasa's space business will be pooled with Matra Marconi Space, a joint venture between Lagardère and GEC-Marconi, while 30 per cent of its missile business LFK will be linked to Matra BAe Dynamics, the Lagardère-BAe missiles joint venture formed last year.

BAe said that if the Lagardère bid was successful, in addition to pooling Thomson's missile business with Matra BAe Dynamics, Thomson and BAe's naval electronics businesses would also be combined. BAe will also back Lagardère's bid with £300m ($490m), of which £135m will

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US regulators reveal last part of telecoms shake-up

By Richard Waters in New York

A historic overhaul of US telephone markets moved nearer yesterday as federal regulators revealed the final part of their plan for breaking down barriers separating local and long-distance carriers.

Officials at the Federal Communications Commission predicted the changes would save US telephone users $25bn over the next six years – $14.5bn to residential customers, and the rest to businesses.

It will be months before final details of the plan, outlined in broad terms yesterday, are in place. Also, telecoms industry executives and analysts said that the likelihood of legal challenges and the appointment of three new commissioners to the regulatory body meant considerable uncertainty over the outcome remained.

Some observers questioned the extent of the savings. Any projections depended on assumptions about the extent to which telephone use was stimulated by a change in rates, said Mr William Gaik, a telecommunications consultant at Deloitte & Touche.

Yesterday's changes were the second of two phases touched off by the US Telecommunications Act. This was meant to allow full competition between long-distance carriers, such as AT&T, and the local companies, or Baby Bells, which have had a monopoly on carrying calls in their geographical regions.

The FCC said the charges paid by long-distance companies to have their calls completed on the local networks would be cut by $1.7bn in the next 12 months. These charges are estimated to amount to more than $20bn a year.

The FCC also adopted a levy on some phone users to provide the money for a so-called "universal service" fund it was required to set up by the Act. This will be used to subsidise low-income telephone customers, while providing the money to ensure all of the country's schools, libraries and rural hospitals are hooked up to the Internet.

Mr Tim Price, president of MCI, the second largest long-distance company, called the changes the "first step towards eliminating the billions of dollars of unjustified overcharges by the local monopoly phone companies". MCI would continue to fight to have the remaining access charges removed.

The plan drew greater criticism from local carriers – the most directly affected. Criticism also came from small businesses, among those facing higher telephone charges.

The first phase of the FCC's plan – a framework for the terms on which rival local and long-distance companies were required to connect their networks – was successfully challenged by the Bell companies who are awaiting the outcome of an appeal.

Ringing the changes, Page 4

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LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

John Kampfner, with the UK's new foreign secretary, feels the shape of the heart of Europe

Not quite triangular, but less edgy

The welcome went far beyond the needs of protocol, but the French were keen to impress. As the first country to pay host to Mr Robin Cook, foreign secretary of a new and more *communautaire* British government, the Quai d'Orsay produced the Republican Guard.

Mr Cook's first outing since the transfer of power was labelled a working visit. But the French despatch of 14 soldiers, resplendent in their képis in the pouring rain, was designed to send a signal that this was "something special".

Mr Cook, and his deputy, Mr Douglas Henderson, tried to hide their smiles. So did the civil servants on both sides, who until last week were more used to dealing with the traditional British refrain of hostility to further European Union integration. Those same aides in tha foreign office who had spent the last decade and more preparing and explaining the "no, no, no" message quickly learned new lines, as if acting in the premiere of a new play.

They too saw the irony in their endeavours. Within a few weeks, it will all become familiar territory. Even the atmosphere within the department, they remarked, was changing. "We've heen told to be more informal and open, so give us points for trying at least," said one adviser.

On the flight over, Mr Cook eschewed his seat in a separate compartment to breakfast with journalists, to explain his mission ahead of the Amsterdam intergovernmental conference in a month, which is set to complete negotiations on EU reform.

"The trouble with the Conservative position is that they said 'no' so often that people lost track with which were the essential 'noes' and which were simply 'noes'," he said. "I'm not in the business of creating goodwill. I'm in the business of negotiating a deal, hut constructive negotiation produces an environment which will get that deal."

Mr Cook is convinced that much of the obduracy of the formar government was counter-productive. He cited the example of the UK insisting on veto rights over an EU-wide anti-frand initiative. "They resisted this on hizarre ideological grounds that it was damaging to the single market," Mr Cook said. "Weird, totally weird".

When it comes down to the substance, what difference will Mr Tony Blair's premiership make at the IGC and beyond? British membership of European monetary union at its start in 1999 is all hnt ruled out. No change there, hut Mr Cook insists this will not detract from a warmer general relationship.

On horder controls and asylum and immigration procedure, the Labour government is adamant it wants Britain's particular status as an island to be enshrined in the Amsterdam treaty. Mr Cook and Mr Blair appear to be knocking at an open door there, although some of the detail remains to be settled.

On other aspects, Britain is prepared to make considerable compromises – opting back in on the social chapter, as already announced; signing the employment chapter that stipulates basic working rights; a common front on tackling fraud; granting the European parliament more powers; allowing qualified majority voting in areas such as environment, and a re-weighting of votes in the European Council in favour of larger states such as the UK when the EU takes in former communist countries, probably in return for an overall cut in commissioners.

Mr Cook works from tha assumption that Britain can, and should, sign tha IGC treaty. Demands for a revision to fisheries policy to cut down on quota-hopping remain, but talk of scuppering agreement has heen replaced by a call for a "commitment to deal constructively with the issue".

The row over the failure to lift the ban on British beef is deemed a longer term problem that ministers say is the hest example of a lack of constructive engagement by the former administration.

The new tone went down swimmingly in Paris. First stop was the Socialist party headquarters, in the midst of their own election campaign. Mr Cook said it would have been "presumptuous" to give Mr Lionel Jospin, the Socialist leader, a lesson in gathering votes. He was only being diplomatic.

Over a "large hut unstuffy" lunch at the Quai, Mr Cook outlined his new project to Mr Hervé de Charette, his French counterpart, who spoke afterwards of a "new relationship of friendship". The two announced a deal on landmines, to he joined later hy the Germans – a gesture of a new tripartite arrangement Mr Cook is seeking to huild.

On to Bonn, via a cream tea courtesy of the RAF, and a warm but less effusive welcome from Mr Klaus Kinkel, the German foreign minister. Mr Kinkel snggested that Mr Cook would, in normal circumstances, have made it to Bonn first. That leg was left to the afternoon because Mr Kinkel happened to he holding talks in Egypt.

In the spirit of "fairness" he praised the engagement of Mr Michael (sic) Rifkind, the outgoing UK foreign secretary, describing relations with Britain until now as vital, although "unspectacular and soher".

As if to demonstrate a new closeness he and Mr Cook went off for some asparagus (very much in season) and the best Auslese that the Rhineland can offer. Did this, Mr Kinkel was asked, suggest the Franco-German axis was to be broadened to inclnde the British? "All these countries must play a leading role," he replied, "but we shouldn't speak of triangles." Game, set, but not quite match.

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European partners welcome UK pledge to ditch its 'bad boy' image

The new Labour government in Britain says the UK is no longer the bad boy in Europe, a sudden shift toward sweetness and reason which has taken many continentals by surprise, writes Lionel Barber in Brussels.

In Brussels, a notoriously Anglophobic French journalist declares he intends to take a holiday in England this summer. A Spanish colleague predicts that Sr Blair's landslide election victory could spell a revival for Mr Felipe González's Socialist party. But the biggest impact is on the EU's inter-governmental conference. Where the Conservatives were dour and dogmatic, Labour proclaims it is ready to strike a deal.

The switch began with the declaration on Monday that Britain will sign tha Social Chapter, ending more than five years of isolation on EU social policy. Mr Doug Henderson, the new European affairs minister, also announced a readiness to support a limited extension of majority voting.

Labour's advent has exposed other countries which have been happy to hide behind the Tories in the IGC talks. The Scandinavians probably feel most uncomfortable; they have to sell the Maastricht II treaty to a sceptical public in a referendum.

The Danes are nervous about any extension of EU-wide powers or moves toward more supranational decision-making. They oppose the European Commission being given extra powers in matters of immigration. Nor do they want the European Parliament strengthened at tha expense of national parliaments.

The Swedes are conscious that voters only approved EU membership in 1994 by a narrow majority. Sweden supports limited changes necessary to support enlargement to central Europe, but would be mnch happier with the status quo. "The EU is not the club they thought they joined," says an IGC negotiator.

The Finns do not like Franco-German proposals for a phased merger of the EU and the Western European Union. Like fellow neutrals Austria, Sweden, and Ireland, they oppose the EU becoming into an instrument for collective security. Labour, like its Conservative predecessor, agrees.

By abandoning categorical positions, for example on majority voting, the new British government has shifted the spotlight on to other divisive issues. Most important is the balance of power between small and large member states.

The Finns, Luxembourgers, Dutch and Irish have threatened to block the IGC unless they retain their right to an EU commissioner. The French position in favour of streamlining the 20-member European Commission is just as hardline, for the moment.

On flexibility (allowing some countries to forge ahead with co-operation without being held back by *others*) the Italians and Spanish want watertight rules to prevent France and Germany creating their own "paradise" built around membership of the planned single currency zone. Britain, of course, has its own demands. It is insisting on a written treaty commitment that it will retain control over its own borders. But its willingness to be open-minded on other matters means it can be partner rather than pariah.

A senior Commission official sums up the shift in mood in Brussels. "Tony Blair has one enormous advantage which is the goodwill factor. Europeans are positively begging Britain to play a bigger role in the EU." But he cautions: "You need more than a positive tone. Being at the heart of Europe implies certain behaviour and actions. We shall see."

France and Germany divided over ECB role

By Wolfgang Münchau in London and Andrew Fisher in Frankfurt

France and Germany are locked in a dispute over whether the new European Central Bank or national central hanks should have the power to conduct foreign exchange and some money market operations after the scheduled start of European economic and monetary union in 1999.

Germany and the smaller EU countries are lohbying heavily for the Frankfurt-based ECB to be able to fine tune the money and foreign exchange market operations. France is arguing that these powers should not be given to the ECB hut remain with national central banks. Also at issue is whether the ECB manages its own reserves or whether this should be done by Emn central banks.

One senior European central banker, who is a member of the council of the European Monetary Institute (Emi), the forerunner of the European Central Bank, said: "Suddenly what we thought had been agreed on now seems not to be so. This [the French position] is quite surprising. Financial centre considerations are behind this."

France also disagrees with other potential Emu members over whether the ECB should ha linked directly to Target, the real-time euro payments clearing system. The French position is that the institute , which developed Target, should not be integrated into the system. Once Emu begins, the existence of the euro as a single currency will place Frankfurt, where the institute is based and the ECB will also have its headquarters, in even more direct competition with Paris as a financial centre. The greater the operational powers of the ECB, the more this is likely to enhance Frankfurt's status, the French argument goes.

A participant of Emi council meetings confirmed that the gatherings were increasingly preoccupied by the divisions especially between France and Germany over this issue.

Another observer close to the situation said: "At its heart, this is a disagreement about financial centres. It is evident that the French are digging in their heels. But the idea that the central bank's dealing operations make or hreak your financial centre is ludicrous. There are years where there is absolutely no intervention in financial markets whatsoever."

Although the disagreement does not touch on the main task of the ECB – to decide monetary policy in the euro zone and oversee its implementation by national central banks – it highlights the difference of approach between France and its European partners, especially Germany.

The Maastricht Treaty, which sets out the responsibilities of the ECB and national central banks in a special protocol, is vague on this issue. Article 12 of the protocol says that "the ECB shall have recourse to the national central banks". However, the precise relationship between the ECB and national central bank has yet to be worked out in detail.

Allies mixed up 'victim' gold

Nazis sent 'non-monetary' gold to Switzerland. **Bruce Clark** reports

The $400m worth of gold sent to Switzerland from Germany during the second world war came in part from personal possessions – such as jewellery, coins and even dental fillings – taken from Jews and other victims of Nazism, according to a landmark US government report published yesterday.

But the 200-page report, which follows a six-month review of more than 15m pages of documents in the US national archives, does not find any evidence that the Swiss knowingly accepted "victim" gold.

The Nazis' use of "non-monetary" gold seized from individual victims of persecution was the most sensitive issue addressed by the study, ordered hy President Bill Clinton after an outcry hy the World Jewish Congress and prominent US legislators such Senator Alfonse D'Amato.

The conclusions, whila embarrassing for the Swiss and other nautral nations which traded with Germany, may also throw some unwelcome light on the shortcomings and compromises of the US and its allies.

The report finds, for example, that the US government consciously "misdirected" gold from Nazi victims into the pool established by the Tripartite Gold Commission (TGC), whose aim was to compensate govarnments, not individuals.

The TGC, gronping Britain, France and the US, has paid out a total of 326 tonnes to 10 European countries which were occupied by the Nazis and had their assets confiscated. The most recent payment was to Albania in October 1996.

The US government is now proposing that tha six tonnes of gold which remain in the pool, worth about $70m at today's valnes, should form the basis of a fund for Holocaust survivors – notahly those who ended np in eastern Europe and have not received any other compensation.

The failure to compensate Holocaust victims adequately reflects a "sad combination of indifference on the part of the neutrals and inaction hy the allies," says Mr Stuart Eizenstat, commerce under-secretary and principal author, in an introduction the report.

The US, it emerges from the report, was well aware of the grisly practice of adding "victim gold" to the assets of the Nazi state, as its troops had discovered a huge cache of hullion in a mine in 1945.

A US army document, released with yasterday's study, says the Merkers mine included "an untold quantity of money and personal jewellery apparently stolen or taken from victims of the Nazi regime".

"There are also some 600 lbs of gold tooth fillings said to have been extracted from the mouths of murder camp victims," the document, dated January 1946, adds. The study concludes that individual gold probably accounted for a relatively small proportion of the bullion that was recovered by the allies after the second world war, but it adds: "That scarcely lessens the sense of a final grim indignity added to the toll of Nazi barbarity".

Because the Nazis often resmelted the gold they had seized from both occupied countries and individuals, it was hard to identify the source. However the report noted that a smelting of looted Dutch guilders in 1943 also included some 37,000 grams of gold seized by the SS from individuals.

"Of the hars which resulted from this smelting, 83 per cent were traded to the Swiss National Bank, the rest to Italy," the report says. "Thus it is clear that hullion traded to Switzerland and other neutral countries included some of this 'victim gold'."

The United Nations war crimes tribunal in The Hague yesterday found Bosnian Serb Dusan Tadic (above), guilty of war crimes and crimes against humanity for his part in an "ethnic cleansing" campaign against Bosnian Moslems in 1992, Reuter reports from The Hague.

Tadic, 41, was found guilty on 11 counts of persecution and beatings and coovicted of two killings which were not charged as murders but included under the persecution charge. Three judges found him not guilty on nine counts of murder and declared a further 11 charges inapplicable. Tadic's lawyers said they would appeal, meaning a likely postponement of the July 1 date set for sentencing. Picture: AP

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Chirac weighs in with appeal to voters

By David Buchan in Paris

President Jacques Chirac yesterday intervened in France's increasingly close parliamentary election campaign with an attack on the spending and taxing policies of the left and an appeal to voters to back him and his centre-right government.

Mr Chirac concluded a much-awaited article, carried yesterday by selected regional and national newspapers, hy saying: "I need your support to continue the work which wa have begun together, and which can only bear fruit over time." The Gaullist president has called the election in an attempt to give his centre-right, in power since 1993, anothar five-year term. Voting will take place in two rounds, on May 25 and June 1.

Yesterday the left dismissed Mr Chirac's comments. Mr Laurent Fabius, a former Socialist prime minister, claimed the president was "out of touch", urging continuity when people wanted change. Mr Lionel Jospin, Socialist leader, noted that "only a fortnight into the campaign the right has had to call on the president" to save it. Mr Alain Juppé, Gaullist prime minister, said the president's message would give "new élan" to the centre-right campaign.

However, the somewhat Olympian tone of Mr Chirac's article, considered normal for a French president in an election in which his office is not directly in question, may hava hlunted its impact. Nowhere in his 1,500-word article did Mr Chirac mention parties, protagonists or even left or right hy name – perhaps because to have done so would have highlighted the role of Mr Juppé, whose personal unpopularity is considered the govarnment'a main handicap.

The Elysée chose 14 regional newspapers to carry the article, a selection that irritated the rest of the press, even though many of them managed to run it in later editions. Mr Jospin said yesterday he would reply with a similar articla, hut would not discriminate in its distribution. He stirred tensions with his Communist allies hy stating that in a leftwing government, the larger Socialist party's position of qualified support for the single European currency would prevail.

He said on radio that he had told Mr Robert Hue, the Communist leader, that "if there is a majority in which the Socialists have a far bigger contingent than the Communiat party. . .there can only be one line: the one set hy the French people that gave the parliamentary majority to the candidates of this party."

Mr Hue, whose party has long campaigned against the euro, claimed the Socialists were indulging in old-style hegemonism which "would forfeit much of the credibility of the left's efforts to be innovative and modern".

EUROPEAN NEWS DIGEST

BA lobbies in airport row

British Airways said yesterday it would be lobbying the British and French governments to try to resolve a dispute over Air Algérie's operation at Charles de Gaulle airport in Paris. BA, whose check-in desk is next to Air Algérie's, claims security for the Algerian carrier's desk is insufficient to ensure the safety of passengers.

A BA spokesman said a French court had decided yesterday to pass the case on to a panel of three judges, and the airline did not expect it to be heard for several weeks. "This case was brought on behalf of all the airlines operating into Charles de Gaulle and we have the full support of the British government," he said.

BA has moved its check-in facilities out of Charles de Gaulle and has been processing some passengers at a nearby hotel. The airline said it had had to put "hundreds" of others on flights with other companies. *Michael Peel, London*

Poles schedule oil sector sales

Nafta Polska, the state-owned holding company which controls Poland's oil refineries and half of the country'a petrol stations, is to start selling some of its assets at the beginning of next year.

Initially it will sell 20-30 per cent stakes in each of the two large refineries at Plock and Gdansk, together with the petrol distribution network. A privatisation adviser for the sale has yet to be appointed hut NP is confident one will be in place by next month.

According to Nafta Polska, 13 foreign companies have expressed initial interest. These are Agip Petroli, BP, Conoco, Elf, Exxon, Koch industries International, Lukoil, Maroil, Neste, Royal Dutch Shell, Statoil, Texaco and Total. *Christopher Bobinski, Warsaw*

Technology is top concern

Directors of multinationals based in Europe's higgest trading nations view technological change as a greater challenge to their business in the next millennium than the introduction of a singla currency, according to a survey hy tha accounting firm Deloitte Touche Tohmatsu.

While 30 per cent considered monetary union a significant factor and tha same proportion identified recruitment of skilled staff as a prime concern, 53 per cent regarded developments such as the Internet as key to their competitiveness. Opinion Research Business interviewed 120 executives from the top 1,000 companies in Britain, France, Germany and the Natherlands.

The findings were announced in Amsterdam yesterday as Deloitte's European partners convened for their annual meeting. Mr Jacques Manardo, chairman of the company in Europe, said that although businesses "underestimate the impact of the single currency at their peril," those successful in the long term would "adapt to new ways of working, embracing new technologies in a global environment". *Gordon Cramb, Amsterdam*

The next millennium: the challenges for husiness. Deloitte Touchs Tohmatsu International. Available free from Oriana Pound, telephone +44171 303 5055; fax +44171 936 2008.

Italian warning on Albania

Italy said yesterday the multinational security force it is leading in Albania should pull out if elections do not go ahead as planned next month.

Mr Beniamino Andreatta, the defence minister, told parliament the mission was linked to a deal struck hy parties in Tirana two months ago which installed an emergency government and agreed to hold early elections by the end of June. "If this agreement fails, both the United Nations and the governments involved. . . should look again at the reasons for the mission and proceed with its withdrawal," he said.

His comments, the first indication that the force could be pulled out early, came as the European mediator, Mr Franz Vranitzky, flew to Tirana for two days of talks to unblock an impasse over electoral procedure.

Albania's parliament only has until May 15 to agree on an electoral procedure if the vote is to take place on June 29. Parliament must be dissolved for 45 days before an election. *Reuter, Rome*

Czechs favour Boeing group

A consortium comprising Boeing and McDonnell Douglas, the US aerospace groups, and CSA Czech Airlines, has emerged as the front-runner to take a stake of 34-40 per cent in Aero Vodochody, the troubled Czech state-owned aircraft maker. Mr Vaclav Klaus, the country's prime minister, announced exclusive negotiations with the consortium following the public tender, launched earlier this year, which called for an injection of at least Kc850m ($30m) in new equity capital.

Vodochody, which has a workforce of around 2,300, made a loss of Kc818.5m in 1995 on a turnover of Kc2.97bn. It is developing a new generation training and light attack aircraft, the L-159.

McDonnell Douglas, whose planned merger with Boeing is being reviewed hy the US Federal Trada Commission, is also hidding to sell its F/A18 Hornet fighter to the Czech air force. It is facing competition from Lockheed Martin, Dassault and Saab/British Aerospace.

Kevin Done, London and Vincent Boland, Prague

Macedonia gains $135m loans

The World Bank and the International Monetary Fund are to make loans totalling around $135m to Macedonia to support economic reforms and accelerate privatisation.

Macedonia, poorest of the former Yugoslav republics, is to receive two loans from the Bank of $30m each. One will be an International Development Association credit with a 35-year maturity including a 10-year grace period. The Bank said the loans were aimed at promoting reforms in the trade and agricultural sectors.

The IMF has approved a $75m loan payable over three years to support the country's 1997-99 economic reform programme. It said that the economy "has yet to turn around decisively", with unemployment as high as 30 per cent. The banking sector was suffering from a heavy burden of non-performing loans.

The Macedonian economy contracted by around 30 per cent from 1991 to 1995, but the recession was halted last year, and gross domestic product is forecast to grow by 5 per cent in 1997 and by 5.3 per cent next year. *Kevin Done*

Germans deny insider trading

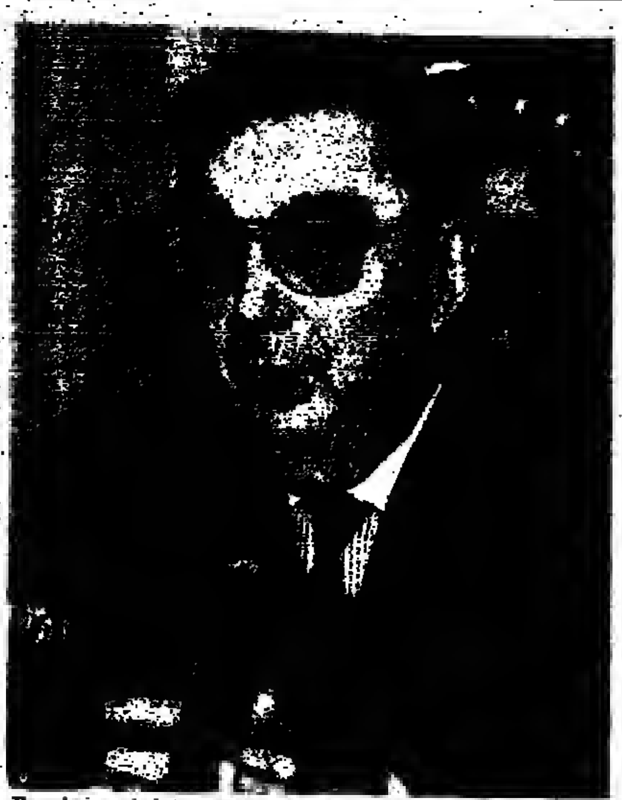
SAP, the German husiness software developer, trying to limit damage from an insider trading probe, said its top managers and other key employees had not engaged in any illegal dealings. Employees, including board members who knew last year's third quarter would show weakened growth, had sworn they did not engage in share trading based on that information, Mr Bernd Thiemann, supervisory board chairman, told the annual meeting.

Mr Dietmar Hopp, chief executive, said "the unbelievahle uproar over this process is likely to have caused major financial damage". But the group had set a goal of increasing revenue hy DM1bn ($580m) this year from DM3.72bn in 1996.

Mr Hopp and members of the supervisory and management boards had signed documents asserting that they "at no time dealt in SAP ahares or derivatives in violation of insider trading rules," Mr Thiemann said.

Managers had not passed on relevant information to third parties where this was not necessary. Other employees with access to critical data have also sworn they did not engage in insider trading. *Reuter, Mannheim*

NEWS: EUROPE



Foreign minister Yevgeny Primakov, in Luxembourg yesterday, will try again next week to reach Nato accord

Security starts at home in new Russian vision

By Chrystia Freeland in Moscow

The Kremlin yesterday approved a grand security plan laying out a vision of Russia's role in the world in the 21st century. Details of the document were sketchy, however, and experts said everything would hinge on how it was implemented.

One of the main thrusts of the four-part programme is believed to be its conclusion that the main threat to Russia's security comes not from external enemies hut from homegrown social and economic problems.

The plan was presented at a meeting of the Security Council, one of Russia's top policy-making hodies, chaired by President Boris Yeltsin.

Although details of what is effectively a new mission statement for the nation are expected to be published only later this month, Russian news agencies said the programme identified "strengthening social stability" as the national security priority.

At the Security Council meeting Mr Yeltsin said the plan also assessed Russia's position in the world in the wake of Nato's expected eastern expansion, and reinforced Russia's intention to strengthen alliances with its eastern neighbours.

Russian and Nato officials, who failed in Luxembourg this week to reach an agreement over the western alliance's planned enlargement, are scheduled to meet again in Moscow next Tuesday to try to hammer out a deal. A Kremlin spokesman warned yesterday that those talks were likely to be difficult, saying that "much more effort is needed from Nato as a bloc and from its members to reach mutually acceptable formulae which would allow us to sign the document".

Commenting on the new security doctrine, Mr Sergei Karaganov, a presidential adviser and international affairs expert, said: "This is a step forward in building a normal state, but a very small one. The most important thing is not the document itself, it is its implementation. The main problem in Russia is not a lack of ideas but the problems which arise when one tries to implement them."

Mr Yeltsin's attempt to redefine Russia's role in the world coincided with a continued drive by his rejuvenated government to break up the monopolies that are thwarting the nation's potential for economic growth.

At a cabinet meeting yesterday Mr Boris Nemtsov, a first deputy prime minister, said the government would not hesitate to initiate criminal proceedings against enterprises that estahlish monopolies.

Solana praises 'deep links' with Ukraine

By Matthew Kaminski in Kiev

Mr Javier Solana, Nato secretary-general, yesterday warmly praised "the very daap and very extensive" links between the western military alliance and Ukraine. Only the day before he hed hald inconclusive talks with Russian leaders on a security charter.

"An independent, democratic and stable Ukraine is one of the key factors for stability in Europe," Mr Solana said. "Nato attaches a special importance to a special ralationship with Ukraine".

The one-day visit to the Ukrainian capital highlighted starkly tha contrast in the alliance's relations with the former Soviat Union's two most populous countries. It reflects an eagerness in Kiev for closer engagement with the west and its fear of forced integration with Russia.

Mr Solana presented President Leonid Kuchma with Nato's draft proposal for closer co-operation that he said should be concluded before the alliance's summit in July in Madrid.

His visit was designed to push forward the agreement, which will expand Ukraine's political and military contacts with the alliance beyond the present Partnership for Peace programme.

Nato's planned expansion eastward has lent greater urgency to strengthening ties with Ukraine, which, while it does not seek membership along with central European states, is keen to shore up its independence.

Officials in Kiev had been vocal in their concerns recently that Nato's focus on closing a deal with Russia had led it to neglect Ukraine. However, western diplomats said the accord would fall short of Kiev's demands for explicit security guarantees. Instead, it envisages a permanent Ukraine-Nato council, one said.

Mr Solana also expressed confidence yesterday that he had won "guarantees" from the Kiev leadership that Ukraine's recent call for a reconsideration of the Conventional Forces in Europe (CFE) treaty would not scupper the accord.

Mr Solana told Ukraine the CFE's "key points must be preserved".

Kiev took the lead last month in calling for lower force limits in sonthern Russia and the Transcaucasus than currently envisaged, as a safeguard against Russia increasing its land forces based in Ukraine's Crimean peninsula. Azerbaijan, Georgia and Moldova – all with substantial Russian forces on their territories – backed the demand.

President Kuchma said his country felt confidant its concerns would ba taken into account before the accord came into force. "There is a guarantee that the new treaty will not allow an increase in foreign troop presence in Ukraine without its agreement," he said after meeting Mr Solana.

Revision of the CFE agreement will be on the agenda at an Organisation for Security and Co-operation in Europe meeting in Vienna next week.

Union hails employees' vote but sale of bankrupt plant now looks doubtful

Clabecq workers reject rescue plan

By Neil Buckley in Brussels

Workers at Forges de Clabecq, the bankrupt Belgian steelworks, hava rejected e plan which might have allowed part of the business to be sold to a foreign buyer. Regional authorities say the decision is "suicide" for the plant.

Some 56 per cent of the 1,438 workers voted late on Tuesday to reject a plan negotiated over the past 10 days with the federal and regional governments, local euthorities and trade unions.

The package would have involved early retirement for 355 of the total workforce of 1,700, and would have placed the rest at the bead of the list of creditors of the plant. This was dependent on their agreeing to sell the stock of finished products they have blockaded since Clabecq was declared bankrupt in January.

That might bave cleared the way for a buyer to rescue part of the business, employing about 1,000 workers, althougb a further 350-400 jobs would probably have been lost. The Italo-Swiss steel company Duferco has expressed interest in rescuing part of the business on that basis.

However, Clabecq workers, beaded by the leftwing union leader Mr Roberto D'Orazio, have consistently rejected any rescue that does not involve jobs for all the plant's workers. He bad called for a vote against the plan and hailed the result as a "victory for all workers".

Duferco said the vote compromised the plant's future, and it could not help "peopla wbo refuse to be belped".

Mr Robert Collignon, minister-president of the Wallonia region, which owns 60 per cent of Clabecq, had warned that this would be "suicide" for the steelworks, and little chance of a rescue is now seen.

That could lead to a prolonged protest hy the plant's workforce, who have already mounted a series of sometimes violent demonstrations in Belgium. They have found common cause witb workers from Renault's assembly plant at Vilvoorde, north of Brussels, due to be closed in July with the loss of 3,100 jobs.

Clabecq was declared bankrupt after the European Commission in December rejected a BFr1.5bn ($42m) state aid package. The loss of all 1,700 jobs at the plant would be a severe blow for Wallonia, Belgium's French-speaking region, where some 800 employees are expected to be made redundant at steelmaker Usines Gusteve Boël following the signing of an alliance with Hoogovens of the Netherlands.

Redundancies are also expected at Cockerill Sambre, Belgium's biggest steelmaker, in a restructuring plan following substantial losses last year.

Court raps Renault knuckles over closure

By David Buchan in Paris

A French appeal court yesterday ordered Renault to consult its European works council before making any further move to close down its Vilvoorde car plant in Brussels. However, it did not challenge the closure itself.

Renault reacted by saying that it would summon a meeting of its European works council within 10 days, but that it would proceed with the Vilvoorde closure, "which continues to be an industrial and economic necessity".

Belgian trade nnions drew encouragement from the ruling, bowever, in their fight to save the car plant. Renault announced in February that it would close the factory next July. "It already seems certain the closure cannot take place oo this date," Mr Karel Gacoms, bead of thc Belgian FGTB metalworkers federation, said yesterday.

Mr Gacoms said bc put some hope in the left winning the French parliamentary elections – to be beld in two rounds on May 25 and June 1. Mr Lionel Jospin, the French Socialist leader, has promised Belgian unions that if his party wins, it will direct the French state's representatives on the Renault board to vote to block the closure. Bnt as a result of several privatisation operations, the French government now has only a 48 per cent stake in Renault.

Renault decided to sbut down tha relatively modern Vilvoorde plant, with the loss of 3,100 jobs there, as part of its latest restructuring plan to stem growing losses. But its abrupt move has led to stoppages at the factory and to widespread criticism, from the European Commission among others, that the French car company has infringed national and European labour laws.

Modifying an earlier lower court decision last month, tha Versailles Appeals Court said yesterday that Renault had to take steps to ensure that its action at Vilvoorde had at least "a minium of flexibility or meets the minimum of acceptance or comprehension necessary for the regulation of cross-border labour issues". Therefore, Renault shonld call a meeting of its European works council, giving worker representatives at least a week beforehand to study "all the documents relevant to the motives for, and repercussions of, the closure of the factory".

Taking a fairly tough line yesterday, Mr Georges Bonverot, the Renault personnel director, acknowledged the car gronp accepted that "our initial information [to the workforce] has been judged insufficient" and that it would now remedy this. But it was essential the closure went ahead this summer.

NEWS: THE AMERICAS

US wage rises mar productivity gains

By Gerard Baker in Washington

A sharp increase in US wages pushed up unit labour costs in the first three months of the year, overshadowing news that workers' productivity grew at its fastest rate for more than three years.

Unit labour costs in the non-farm business sector rose at a seasonally adjusted annual rate of 2.7 per cent in the first quarter, up from a 2.5 per cent rate in the previous three months, the Labor Department said yesterday. The main factor behind the rise was a 4.7 per cent leap in hourly pay, the largest increase for five years.

Part of the pay increase was validated by improving productivity. Non-farm productivity, or output per hour, grew at a 2 per cent annual rate in the first quarter, almost double the rate recorded in the previous three months, and the best performance since the fourth quarter of 1993.

But the figures disappointed financial markets as they seemed to suggest that, contrary to evidence from other recent data, increasingly tight labour markets in the US are pushing up wage costs and increasing the risk of an acceleration in inflation.

Last week the Labor Department reported that overall employment costs, including wages, salaries and benefits, rose at a modest 0.6 per cent in the first three months of the year, indicating only limited pressure on employers' costs. But other figures published last week showed that unemployment now stands at 4.9 per cent of the labour force, its lowest in a generation, and fears are growing labour costs may be set to take off.

Bond prices fell sharply as investors worried that the Federal Reserve might be forced to raise interest rates again at the next meeting of its open market committee on May 20.

Those fears were heightened by remarks by Mr Jack Guynn, president of the Atlanta Fed and a member of the open market committee. Speaking after publication of the figures, he said it was "absolutely critical" for the Fed to remain on top of inflationary pressures. "I don't think we're at the point where inflation is dead and we'll never see it again".

Stock prices also fell. At 12.30pm, the Dow Jones Industrial Average was down 60 points at 7164.

Other figures yesterday showed a 0.7 per increase in wholesalers' business stocks in March, a stronger increase than most economists had expected. That may mean overall economic growth in the first quarter was even faster than previously reported. Last week, the Commerce Department said gross domestic product grew at an annual rate of 5.6 per cent in the first three months of the year, the fastest quarterly rate of growth in nearly a decade.

Clinton wins backing from Zedillo on trade

By Leslie Crawford in Mexico City

Mexico yesterday gave President Bill Clinton its full backing to pursue a hemisphere-wide free trade accord as the US leader prepared to continue his first tour of Latin America and the Caribbean with stops in Costa Rica and Barbados.

Mr Clinton's visit marked the high point of Mr Ernesto Zedillo's beleaguered two-year presidency. Mr Clinton's praise for his host's "visionary and courageous" handling of Mexico's 1995 peso crisis allowed the Mexican president to bury the shame of the US-led financial bailout and recent drug corruption scandals.

Mr Clinton also addressed Mexico's unspoken yearning for a more equal partnership by underscoring the shared nature of problems such as drug trafficking and illegal migration. When the two presidents addressed Mexican business leaders yesterday, the strongest applause came after Mr Clinton said the US sought a "peaceful, prosperous partnership with Mexico that is based on respect".

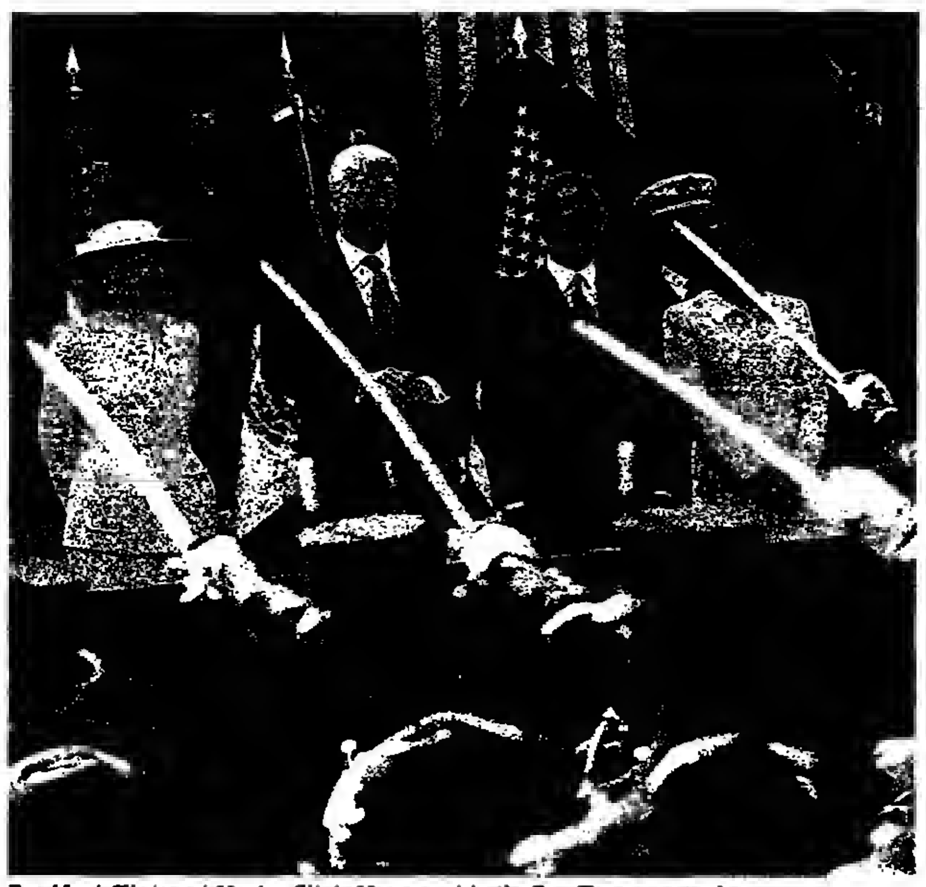
Mr Zedillo acknowledged his debt of gratitude to the US president by claiming: "Nobody has worked with more determination than Mr Clinton to foster respect, dialogue and understanding between our countries." He offered his support for a Free Trade Area of the Americas.

Both leaders celebrated their partnership in the North American Free Trade Agreement (Nafta), which Mexico joined in 1994. Such was the enthusiasm expressed for Nafta that bilateral trade during Mr Clinton's two-day visit appeared to grow by the hour. In successive speeches, Mr Zedillo put the figure of total trade between Mexico and the US at $140bn, then $150bn, and finally "at almost $160bn".

Mr Clinton, who must convince the US Congress of the benefits of Nafta in order to win fast-track authority to negotiate other free trade agreements, emphasised the importance of Nafta in safeguarding US jobs. US exports to Mexico, he said, had increased by 37 per cent since 1994.

Mr Bill Daley, the US secretary of commerce, told a meeting of US businessmen that 700,000 US jobs depended directly on US exports to Mexico.

Mr Andrés Manuel Lopez Obrador, leader of the left-wing Revolutionary Democratic Party, gave Mr Clinton a different view of Nafta, saying it had accentuated the gap between rich and poor.



President Clinton at Mexico City's Monument to the Boy Heroes yesterday AP

High farce in Brazil mining sell-off

Latin America's biggest privatisation finally took place on Tuesday evening, a week later than scheduled, in scenes more appropriate to high farce than the sale of more than R$3.34bn (US$3.14bn) of shares in a mining company.

The first attempt at the auction of a controlling take in the Companhia Vale do Rio Doce (CVRD) was interrupted after 15 minutes by an injunction. Officials at the Rio de Janeiro stock exchange hastily re-started the auction five minutes after the injunction was overturned. It was all over 10 minutes later.

However, while a tape of the national anthem was being played on the floor of the stock exchange, news of a fresh injunction began to filter through.

The delays, interruptions and confusion have been bad publicity for the Brazilian government, which had hoped to use the CVRD auction to kick-start Latin America's most ambitious privatisation programme, including the sale of the country's telecoms and electric energy industries by the end of next year.

Mr Alexandre Barros, a political consultant in Brasilia, said the delay was bound to have an impact on the government's other privatisation plans. "People will say that this could easily happen again with other sell-offs," he said.

But even though the sale was delayed by a week, some observers say the fact it happened at all is a landmark in the country's economic life. "This has been the final swan song of anti-privatisation nationalism," says Mr Winston Fritsch, chief executive of Kleinwort Benson in Brazil. "The process may look cumbersome but it is more democratic and more permanent than many other countries. If it happens, it is for good."

The CVRD and its supporters have inspired the sort of emotional resonance in Brazil that farmers have in France and the miners once did in the UK. Opposition to the sale united a coalition which included two former presidents, the country's catholic bishops and the landless farmers' movement.

The only other Brazilian state-owned company which has the same popular appeal is Petrobras, the oil and gas company, not on the privatisation schedule.

While some members of the business community have begun to talk about selling Petrobras as a realistic possibility, the events of the last week may well persuade the government otherwise.

The other planned privatisations will not be so unpopular because in most cases voters are also customers and the link between state-ownership and the quality of service is apparent.

The long waiting list for a new telephone line, the difficulty in placing calls in some cities and the series of power-cuts in the south of the country over the last month will make the sale of the telecoms network and electric energy system less problematic.

The privatisation of CVRD is not over. The government plans to sell the rest of its stake in the company's capital by the end of the year in a public offering to international and domestic investors.

Although the auction of a controlling stake was the central event in the process, the danger is that opponents of the sale have discovered that they can use the legal system to cause significant disruption. Around 130 legal challenges were lodged around the country, some in small towns and most timed just before the auction in order to create the maximum delay.

The legal manoeuvrings did not put off any of the consortium members, for whom the auction was a one-off chance to buy a controlling stake in a world-class rival. But for institutional investors, who are more fickle by nature, conflict in the courts could be a decisive factor. Any delays would also pose huge legal problems for the public offering, which will have a fixed timetable for book building and underwriting periods.

Lawyers expect the government to resort to the same method it used this week to get the auction to go ahead – asking the Supreme Tribunal of Justice, one of the country's highest courts, to judge on all the injunctions.

Government officials yesterday breathed a huge sigh of relief at getting the auction away, for further delays this week could have led it to be postponed for a couple of months.

Their supporters claim they have won an important victory, not just for privatisation, but also for the economic struggle to reign in the budget deficit and finance the growing trade deficit. However the government will also be examining what lessons can be learnt from what has been a bruising week.

Lex, Page 14

The new owner of Companhia Vale do Rio Doce (CVRD), a consortium led by Companhia Siderúrgica Nacional (CSN), Brazil's largest steel maker, said it would not break up the assets of the world's largest iron ore producer, Geoff Dyer reports from Rio de Janeiro.

Mr Benjamin Steinbruch, chairman of CSN, made the comments after the consortium he put together won the auction on Tuesday evening to buy a controlling stake in CVRD, the world's largest iron ore producer.

However, the privatisation was temporarily suspended because of an injunction issued shortly after the auction. Lawyers for the National Development Bank (BNDES), which is organising the privatisation, were yesterday appealing against the injunction, one of nearly 30 awarded in the last 10 days against the sale.

The lawyers will have to overturn the latest challenge before they receive any of the R$3.34bn (US$3.14bn) the consortium agreed to pay for a 41.7 per cent stake of voting shares in CVRD at R$32 per share, a 20 per cent premium to the minimum price of R$26.67.

CSN, itself privatised in 1993, is the largest shareholder in the consortium, with a 16.3 per cent stake in CVRD. The other members are NationsBank of the US, Opportunity Asset Management, an investment fund, and four Brazilian pension funds, whose existing holdings in CVRD gives the consortium over 50 per cent of the voting shares. Gencor, the South African mining company, has signed a "letter of intent" with the consortium which could allow it to enter at a later stage.

The CSN-led consortium outbid a rival group led by Anglo American of South Africa and Grupo Votorantim, the Brazilian conglomerate.

In public offerings later this year, the government plans to sell the rest of its shares in CVRD, which has a total value of around R$15bn.

Geoff Dyer

AMERICAN NEWS DIGEST

Surinam scheme changes course

A pyramid-type investment venture in Surinam, which has attracted more capital than all the commercial banks in the South American republic of 400,000 people, has backed down from a promise to close and repay all depositors in full.

NV Roep, the company running the venture, instead said it would apply for a banking licence and cut its monthly interest payments from 10 per cent to 5 per cent, giving repayments to any depositors who asked. Local bankers suggested approval by the central bank was likely.

Over three years, Roep has attracted millions of dollars from local investors and from hundreds of Surinamese living in the Netherlands, who took suitcases of money to Paramaribo, the republic's capital, to invest in the venture.

Local bankers and the International Monetary Fund described it – and a related scheme, NV Johwin – as a monetary time bomb, saying they feared social and political unrest similar to that in Albania when several pyramid ventures collapsed. Roep said the scheme had been adversely affected by "negative media reports." It said it had lost investors in recent months, and had been under pressure to make monthly interest payments of just over $10m.

The Dutch foreign ministry, which warned in March of "economic catastrophe", said yesterday that commercial banks in Surinam were now refusing to extend credit for investments in Roep.

Mr Roep Ramtahalsingh, Roep's manager, suggested last month that the scheme was more of a "Ponzi" than a pyramid. While pyramids demanded that each investor bring in new ones, his venture gave depositors their 10 per cent a month returns automatically, he said. Ponzi schemes, named after a US promoter in the 1920s, rely on the inflow of money from new investors to make payments to early ones.

Mr Otto Ezechiels, managing director of the central bank's banking department, had warned that the scheme could run out of new depositors, forcing it to halt payments, leading to its collapse.

The mangers of Roep said they had invested money in "profitable ventures" but refused to say what these were. *Canute James, Kingston and Clay Harris, London*

Fresh row over Fujimori

President Alberto Fujimori's push for a third presidential term in the year 2000 has unleashed fresh political controversy. The ruling majority in Congress is to set up a commission to investigate four out of seven members of a theoretically autonomous constitutional tribunal, after they pronounced against the re-election initiative.

The commission has 30 days to report to congress and a "constitutional accusation" against the four could follow.

Congress voted late last year to "reinterpret" the constitution in such a way as to enable President Fujimori to stand again for election in three years' time.

The 1993 constitution states that only one immediate re-election is permissible.

But the ruling majority argued his current five-year term is Mr Fujimori's first under that constitution, therefore another shot at the presidency in the year 2000 would count as a first re-election attempt.

Using unexpectedly strong language, the four members of the Tribunal have reacted angrily to what they call an unwarranted attack on their independence. *Sally Bowen, Lima*

Strong New York art sale

For the next ten days New York becomes the centre of the international art market, with major auctions of Impressionist, Modern and contemporary paintings and sculpture.

The season got off to a flying start on Tuesday evening when Sotheby's offered a modest sale of just 43 lots of contemporary art but saw 36 of them sell, for a total of $15.22m.

There was strong demand for the works of abstract expressionist artists. "Crosstown" by Franz Kline sold above forecast for $2.2m; Mark Rothko's "No 19" made the same price; and $1.76m., below forecast, was paid for one of Willem de Kooning's "Untitled".

But the main surprise was the record prices achieved by the younger generation of artists. "Transexualis (Decline)" a multimedia work involving sculpture and video, by 30 year old Mathew Barney sold for $343,500, while "Untitled", a rubber casting by 34 year old British artist Rachel Whiteread, which looks like a discarded mattress, sold for $167,500.

There was also a record for Jeff Koons - "Stacked sculpture", a wooden carving of five animals perched on top of each other made $250,000. Most of the recent works were sent for sale to benefit the Boston Children's Heart Foundation, which is now almost $2m richer from selling 11 items.

They had been bought by Dr Nadal-Ginard, a founder of the Foundation, who is currently in jail for defrauding it. *Antony Thorncroft, London*

The FCC's brief to implement the telecoms act and increase competition has made it the prey of '10,000' lobbyists

US regulator rings the changes in phone market

Mr Reed Hundt, chairman of the Federal Communications Commission, has been grappling with every ambitious regulator's dream job – and worst nightmare.

At the heart of the US's Telecommunications Act, passed 15 months ago today, was a provision for the end of the divisions that have separated the country's long-distance and local carriers. That, in turn, was meant to bring about a competitive free-for-all that would slash telecom costs and give the US a big push further down the road to becoming an information society.

But details of how that should be done were not laid out in the act: it has been up to Mr Hundt's agency to turn the law's intention into reality. And that has brought down on his agency one of the biggest lobbying efforts to hit Washington for some time, as rival telephone companies, as well as groups representing residential and business telephone users, have set out to shape the $170bn US telephone markets to their advantage.

No wonder the FCC chairman offered a facetious vote of thanks yesterday to "everyone who has been advocate – all 10,000". He added: "Our process has been the envy of the rest of the world." Before he can justify such a claim, the smoke will have to clear from what has been a highly political piece of rule-making.

At the bottom of FCC's latest moves, adopted in broad outline yesterday, is an attempt to achieve two different purposes. The first is to squeeze some of the so-called "access charges" out of the phone system. These payments, amounting in some estimates to more than $20bn a year, are made by long-distance telephone companies to the local carriers, or Baby Bells, which carry the calls the last few miles to their destination.

A large chunk of these charges amounts to a subsidy paid by long-distance callers to keep the basic local phone service at a low level (typically, a flat $15 a month in most US states.) Mr Hundt, though, has had to find a way of eating into the cross-subsidy without making the politically catastrophic move of forcing up the cost of basic local residential telephone charges.

To add to this, Congress injected social engineering into the act, requiring the telecoms industry to provide money for a Universal Service fund. This is meant to subsidise low-income telephone users and people in thinly populated rural areas. It will also enable all the country's elementary and secondary schools, as well as libraries and rural hospitals, to be wired up to the Internet.

Not surprisingly, talk of reducing access charges has prompted complaints from the Baby Bells. And the burden of the Universal Service Fund has added to the general complaints. "It is nothing more than a form of taxation," says Mr William Gaik, a telecommunications expert at Deloitte & Touche. "No matter who you please, you'll get people riled up."

It is not surprising, then, that Mr Hundt has probably chosen to do the least necessary to achieve the act's immediate goals. To pay for the new fund, the FCC has slapped a new per-line charge on businesses and homes that have more than one telephone line.

To balance this higher cost, though, it has called for an immediate $1.7bn reduction in access charges in the 12 months from this July. Much of this will be passed straight to long-distance telephone customers, thanks to an agreement by AT&T – no doubt to be followed by other long-distance companies – to hand over the savings it will make in the form of lower telephone rates.

This has at least in part pleased the long-distance companies.

Lower bills should stimulate more calls, boosting their revenues: however, the bulk of the access charges will remain in the system, to disappear only gradually as real competition breaks out in local telephone markets.

The Baby Bells, on the other hand, were complaining loudly yesterday. "We believe they are taking the burden of the Universal Service fund off the long-distance companies and putting it on the local customers," said BellSouth, which serves the South East region.

The damage to these companies is far less than it appears, however. The Bells will not sustain an instant $1.7bn hit to their collective profits. Access charges would probably have fallen $700m anyway, tied to productivity improvements at the Bells. And a change in the way access charges are assessed will help them recover some of the money.

More important, perhaps, is the FCC's decision to leave the access charge system largely in place – something that will reduce a concern that has hung over the Bells for some time.

Richard Waters

NEWS: ASIA-PACIFIC

Tokyo hopes to calm fears after nuclear accidents

US team to probe Japanese N-group

By Gwen Robinson in Tokyo

The Japanese government is poised to appoint Arthur Andersen, the US accounting and consultancy company, to conduct a management audit of the scandal-hit Power Reactor and Nuclear Fuel Development Corporation, known as Donen. The move to hire a foreign consultant is highly unusual – Tokyo-based consultants say it is unprecedented – and reflects the extent of the crisis besetting the government's ambitious nuclear energy programme.

Following a recent string of nuclear accidents at facilities operated by Donen and disclosures of cover-ups and mismanagement, Mr Ryutaro Hashimoto, the prime minister, promised to bring in an "independent" party to assess Donen's future. He also hinted that the government might abolish the organisation altogether.

Arthur Andersen'a office in Tokyo would not commant on its forthcoming probe of Donen, to be officially announced by the Japanese government later this week. Bnt nuclear officials said the US company had been asked to examine all aspects of Donen's operations and structure, including its crisis management and communications systems.

Government officials said yesterday that a leading foreign consultant was required to reassure the public of the impartial nature of such a review.

Donen has been embroiled in a widening scandal over falsification of information and mishandling of emergancy procedures since late 1995, when a massive leak of sodium coolant occurred at Donen's experimental fast-breeder reactor, Monju. It was snbsequently revealed thet Donen officials doctored videotapes of the accident, among other chargea of incompetence and mismanagement.

But the government did not act against Donen until March this year, when a fire and explosion at its Tokaimura reprocessing plant exposed 37 workers to radiation and was labelled Japan's worst nuclear accident. The Science and Technology Agency, which is responsible for overseeing nuclear energy policy, filed criminal charges against Donen execntivea who admitted falsifying information ebout the Tokaimure accident.

At present, Donen is a pillar of Japan'a large nuclear power industry, with control of functions ranging from uranium exploration and enrichment to research and reproceasing of spent nuclear fuel. The organisation has a staff of nearly 3,000 and annual budgets of around Y230bn ($1.8bn). It also receives substantial payments from electric power utilities for reprocessing spent nuclear fuel and other services.

Donan directly operates six of the most strategic nuclear power fecilities among Japan's total of 52 nuclear plants, including an edvanced thermal reactor. Four of the six facilities have been temporarily shut down following mishaps.

Election taxes Philippine reform

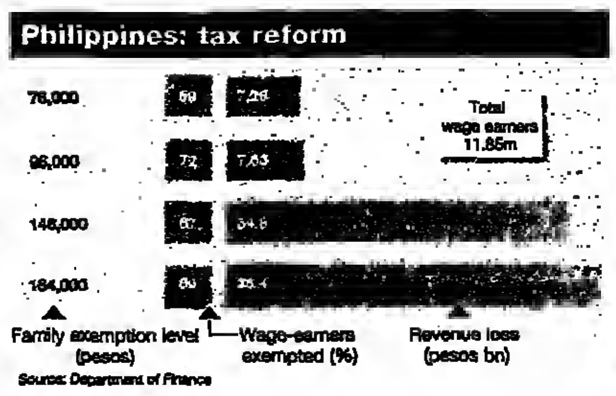
The Philippine comprehensive tax reform programme, dubbed the CTRP, is in danger of falling victim to election politics.

Last week, Mr Jose de Venecia, speaker of the House of Representatives and a leading candidate for presidential elections next year, announced that the lower chamber had approved the final portion of the CTRP, which deals with personal and corporate income taxation, tax incentives and tax administration.

He highlighted a maximum tax exemption level of 146,000 pesos ($5,540) for a family of six, with a further tax credit taking that figure in effect to 166,000 pesos – and a ceiling of $60,000 for overseas workers.

"This packege of tax exemptions will henefit about 23m to 25m Filipinos, or more than one-third of the entire Philippine population," he proclaimed.

What he did not say was that the House had not even finished debating the bill and has yet to hand it over to the Senate. The tax legislation, centrepiece of reforms by the administration of President Fidel Ramos and the last remaining obstacle to graduating from IMF tutelage, has become a political football.



Source: Department of Finance

The figures themselves disappointed some. Ms Nene Guevare, undersecretary of finance, calculetes that 87 per cent of taxpayers would be exempted and 34.9bn pesos in revenue lost annually. This would not help a government seeking to ensure a dependable stream of revenues from an equitable tax base in the face of dwindling privatisation proceeds – the aim of the CTRP.

The department of finance argues its proposals for exemptions of up to 96,000 pesos per taxpayer already exclude those below the poverty threshold. With the higher levels supported by the House, "we may end up with a tax deform instead of a tax reform," it concludes.

If Congress does not pass the bill by June, says Ms Guevara, the country may have to wait until December as electioneering reaches fever pitch. Worse still, some ohservers believe, Mr Roberto de Ocampo, the finance secretary and another presidential aspirant, may also be tempted to make political capital out of the issue.

"I don't know of any other country in the world which would undertake tax legislation so close to a national election," says the chief executive of one of the country's largest banks. "It's asking for trouble."


Ramos: last obstacle

With the IMF programme due to expire on June 23, Congress set to adjourn on June 5 and the Senate yet to begin reviewing tbe bill, prospects for its early signing into law now look increasingly unlikely.

The IMF programme, the country'a 35th in 23 years, is a three-year $684m credit facility, untouched after an initial drawing. Apart from being a critical measure in its own right – the revamped tax system will raise domestic savings which are among the lowest in the region and help ward off a return to fiscal deficits – there are other serious investment benefits from a timely completion of the programme, says Mr David Nellor, the IMF's representative in Manila.

"Passing of the CTRP on time would send a strong signal to international investors and the credit rating agencies that the Philippine reform programme is on track, after being derailed so many times in the past," Mr Nellor said. "It is important for emerging economies, particularly the Philippines, to establish a strong track record because the markets still need to be convinced. Finally, it may also improve the prospects for a credit upgrade."

■ The Philippine Securities and Exchange Commission, the market watchdog, yesterday suggested a move to limit share price fluctuations, following recent volatility on the Menila exchange. The proposels inclnde the auspension of trading in shares which rise more than 30 per cent in one day, blue chips falling more than 10 per cent, non-speculative shares by more than 15 per cent and speculative shares by more than 20 per cent. Shares are now suspended when they gain or lose 50 per cent in one trading session.

The SEC proposal follows the biggest market fall in 26 months last week which the authority blamed ou "sensational but groundless reports of an impending collapse in the property market". The market fell 3 per cent yesterday to 2,694.4 points, following a 6.5 per cent rally on Monday and Tuesday.

Justin Marozzi

Quinn jailed in Australia

By Nikki Tait in Sydney

Mr Brian Quinn, chief execntive of Coles Myer, Australia'a largest retailer, until 1992 and a former board member of the Reserve Bank, was yesterday jailed for four years.

The 61-year-old businessman had been charged with defrauding Coles of A$4.46m (US$3.5m) over a six-year period – with most of the money being spent on lavish refurbishment of his home in Templestowe, in Melbourne's eastern suburbs.

It is the latest in a series of high-profile cases in Australia over alleged corporate fraud or theft, often involving events in the high-spending 1980s.

Prosecutions have had a mixed record: a case against Mr John Elliott, the prominent Melbourne businessman, collapsed last year, but Mr Alan Bond, the Perth-based entrepreneur, was successfully prosecuted in two separate fraud matters and is now serving a prison sentence.

In the course of the closely watched Quinn trial, the court was told of hundreds of thousands of dollars being expended on marble walls and floors, and the replacement of window glass by bevel-edged glass. A wrought-iron bridge was constructed over e five-metre tiled swimming pool, along with a tennis pavilion and an eight-car garage.

The house was said to have an average of 30 people working on it each day between 1985 and 1988.

The crown prosecution alleged that Mr Quinn, who held the top job at Coles for five years and was also chairman of the retail giant between 1987 and 1991, had conspired with Mr Graham Lanyon, the company's former maintenance controller, to defraud Coles – in effect causing the retailer to pay for much of the work.

Mr Lanyon told the court that, when the Fraud Squad began to investigate, Mr Quinn had suggeeted destroying documents – although he also said he believed Mr Quinn "had every intention of paying the money back".

Mr Quinn, who had pleaded not guilty, has now repaid more than A$3m to Coles. But Mr Justice Geoffrey Eames said yesterday that there was "no evidence of any remorse at all".

ASIA-PACIFIC NEWS DIGEST

Mahathir plans two-month tour

Malaysia's prime minister Mahathir Mohamad, who will be overseas for two months from later this month, is expected to break with precedent and appoint Mr Anwar Ibrahim, deputy prime minister and finance minister, as acting prime minister in his absence.

Mr Mahathir's absence – he will visit several European countries – would rank as his longest period outside the country since he assumed his post in 1981. Mr Anwar's temporary elevation is significant because it confirms him as the leading candidate to succeed Dr Mahathir.

Malaysian officials dismissed speculation that Dr Mahathir's health may be worsening, saying that much of his time in Europe will be spent drumming up investment for the "multimedia super-corridor" – a project with which Malaysia hopes to leap into the information age.

James Kynge, Kuala Lumpur

HK curbs may be scaled down

Hong Kong's government-in-waiting may soften its stance on proposals to tighten police powers over demonstrations and toughen regulations regarding political funding, according to a member of the post-colonial cabinet.

Mr Henry Tang, a businessman who will sit in the Executive Council after Hong Kong returns to Chinese sovereignty on July 1, said that some responses to the proposals, gathered during a three-week consultation period, were more liberal than the plans and were "worthy of our consideration". He signalled that new laws on public demonstrations might not differ markedly from existing legislation, and that limits on foreign funding for political parties could be restricted.

Plans to amend existing laws have emerged as a serious test for Mr Tung Chee-hwa, the shipping tycoon who will take over as the territory's post-colonial leader in July.

John Ridding, Hong Kong

Shanghai plans clean-up

Shanghai, one of the world's most populous cities, has launched a multi-billion dollar campaign to clean up the environment and restore its image as the "pearl of the east", according to its activist mayor. Mr Xu Knangdi, a western-educated scientist, said the city – with a population of about 16m – would put $1bn a year or 3 per cent of its gross domestic product into the clean-up campaign. Targets include the foul-smelling 53km Suzhou creek, which flows into the Huangpu river on which Shanghai is situated. The World Bank is helping to fund attempts to "sanitise" the creek in a project expected to cost Yn20bn ($2.41bn) over 15 years.

Tony Walker, Beijing

Internet chiefs fail to address the future

Louise Kehoe and Paul Taylor report on the growing row over regulating Web site titles

A month ago, the ooe millionth Internet web site address was registered by Bonny Viaw Cottage Furniture of Petoskey, Michigan.

This event did not make headlines, yet it is at the root of a growing international controversy over how best to accommodate the rspidly expanding numbers of businesses, organisations and individuals seeking addresses in cyberspace.

There are more and more conflicts among businesses and people wanting the same name and between companies and "hijackers" who register common brand names as Internet names and then offer to sell them to their "real" owners.

Meanwhile, finding distinctive names for web sites is becoming more and more difficult. Let's say, for example, tbat a Fred Thomas wanted to use his initials to designate his web site address. He would qnickly find out that "FT.com" has already been claimed by this newepaper. Similarly, France Télécom cannot use the common abbreviation of its name as a web site address.

The problem has been exacerhated by the emergence of prestige addresses in cyberspace. Each country has its own set of domain names. Thus a UK company can end its Web address with "co.uk". Yet many businesses prefer the ".com" domain name that signifies an internatiooal husiness address.

In an attempt to subdivide cyberspace and create new, attractive addresses, members of the Internet Society, a group of veteran Internet technologists, together with the Internet Assigned Numbers Authority, came np with a plan for seven new Web "domains" or address euffixes and proposals for expanding the oumber of licensing authorities, or registrars, for Internet use, initially by 28.

These include ".firm" for businesses, ".store" for companies selling products, ".web" for general purpose web sites, ".arts" for cultural sites, ".info" for information services, ".nom" for individuals and ".rec" for recreational activities.

At a meeting in Geneva last week, hosted by the International Telecommunications Union, the UN agency, a self-appointed International Ad Hoc Committee (IAHC) announced broad support for its plan. Some 80 companies and organisations were behind it, the group said.

Mr Vinton Cerf, an Internet technology pioneer and now MCI's senior vica president-Internet architecture, endorsed the plan which, he said would "modernise the domain name system... ensuring that the Internet's structure of self-governance catches up, and keeps pace, with its rapid commercial and technological advancement."

The new naming plan does not, bowever, have the support of the US government or the European Union. The US has expressed concern about the authority of the ITU secretariat to act withont authorisation by member governments.

The European Commission has expressed similar reservations. While endorsing the the global debate on the matter, it has doubts about the IAHC's proposals and wants a full review.

It also feels Europe is under-represented in the IAHC.

Neither does the new domain name system bave the full support of many Internet service providers (ISPs) – the companies that hook people and businesses to the Internet.

Since there is nn central controlling body for the Internet, any cbanges require consensus. In particular, the support of ISPs is crucial. It is up to them to make the necessary changes in their systems to recognise new domain names. Althongb MCI expressed its support for the plan, PSI Net, which carries about 15 per cent of Internet data traffic on its US "backbone" network, is firmly opposed to the new naming system.

Internet domain names are a "global public policy issue which requires considerable debate among all Internet stakeholders," said Mr William Schrader, PSI Net chief executive. "This should not be decided by a cloistered 11-member committee."

Netcom Communications, one of the leading US ISPs, is taking a "wait and see" attitude. If customers want these changes, Netcom will support them, said Mr Craig Clemens, vice president of operations. He expressed concerns, nonetheless, about how the plan for 28 new registration centres would work.

Among companies already establisbed on the Internet, the prospect of new domain names is oot altogether welcome. What if, for example, someone were to register "ibm.firm" or "safeway.store". Would these be confused with the genuine ".com" sites?

Users of the World Wide Web may well wonder how the proposed naming system will work out. Today, it is possible tn guess the web site address of many companies by simply affixing the ".com" suffix. Adding more domain names would only confuse matters.

Tbe push for change seems to bave been prompted by dissatisfaction with the system for registering new Web site names. Network Solntions, a US company, was awarded the contract to oversee registrations for so-called "top level" domain names several years ago by the US National Science Foundation, which originally handled registrations.

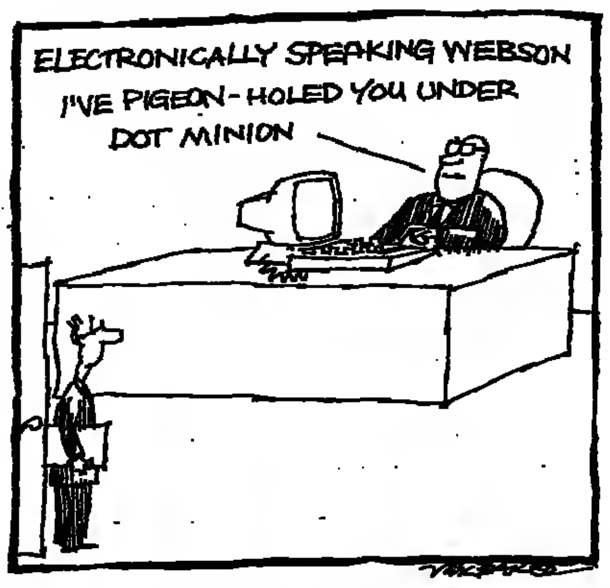
Since then the company has imposed registration fees, and has been forced to arbitrate in more and more disputes over domain names.

Under the Geneva proposals, Network Solution's monopoly would he ended and a worldwide network of registrars – initially 28 but with more to follow – would be authorised to register top level Internet domain names. The registrars will compete with each other, driving down registration costs.

The initial limit of 28 was imposed to ensure that the number of registrars would be a workable team for developing technical and operational details.

In several other areas, such as the control of hard core pornography and racist content on the Internet, would-he legielators have found that the Internet is a difficult and unwieldy beast to tame.

Now it seems that even an apparently innocnone attempt to provide more Internet addresses could founder.



French to press Mobutu to quit

By Michela Wrong in Kinshasa

There were jeers and cheers from residents of Kinshasa yesterday as President Mobutu Sese Seko flew out to attend an impromptu summit in Gabon. But while members of the country's elite packed their bags and beaded out, there was no sign the president intended to follow.

Aides insisted the president, whose heavily guarded motorcade was booed as it drove through an opposition strongbold to the airport, would return either today or on Friday from his meeting in Libreville with Francophone African leaders.

But international negotiators bope the French government, which has re-entered the diplomatic fray since the collapse of a South African and US-sponsored attempts to arrange peace between Mr Mobutu and rebels marching on Kinshasa, can use its influence at the meeting to press the president to resign.

"This is a Francopbone lobby group and the French are now trying to do their bit," said a Kinshasa-based diplomat. "France should be calling the shots at the meeting."

Zairean opposition newspapers put a darker interpretation on the unexpected summit, predicting an intransigent Mr Mobutu would ask his allies for weapons and troops to beat back the Alliance of Democratic Forces for the Liberation of Congo (AFDL), whicb has Kinsbasa in its sights after capturing three quarters of the country.

Military analysts said that claims the rebels were within striking distance of Kinshasa's airport were exaggerated and that the real battlefront remained at Kenge, 200km to the east. They said elite troops had been sent to hold the bridge over the Kwango river but were outnumbered by rebels.

But the rebel propaganda has succeeded in creating a *fin-de-régime* mood of panic in the capital. The lobby of the Hotel Intercontinental, a magnet for members of Mobutu's clique, was yesterday full of well dressed families waiting with their hodyguards for the airport bus.

Recent VIP departures include General Kpama Kata Baramoto, the president's brother-in-law. Military analysts said the former army chief of staff and head of the Garde Civile was not expected to return from exile.

But leaving Kinshasa has become increasingly cumbersome since western airlines on Tuesday decided to stop flying to the capital because of the risk of being either targeted by approaching rebels or hijacked by fleeing troops. Passengers are now shuttling across the river to join flights in Brazzaville.

WAY OUT: Mobutu's motorcade en route to the airport yesterday was met by boos from bystanders Reuter

Arafat, Weizman closer on security

By Judy Dempsey in Jerusalem

President Ezer Weizman of Israel and Mr Yassir Arafat, the Palestinian leader, have made the first tentative steps towards renewing security co-operation, which was suspended in March following Israel's decision to build a new Jewish settlement at Har Homa in southeast Jerusalem.

Although no agreed date has been fixed to resume co-operation, officials said the meeting could help rebuild confidence between both sides. This is a task Mr Dennis Ross, the US special envoy, has set himself in separate meetings with Mr Benjamin Netanyahu, Israeli prime minister, and Mr Arafat after his return to the region last night.

The resumption of security co-operation, whicb entails sharing intelligence, is seen by the Israeli military as a crucial element for saving the peace process. Officials said the security co-operation between Israel and the Palestinians had "tended to zero" since March, adding it reflected the lack of confidence between both sides. "That will undermine the entire process if a way cannot be found to resume the co-operation," he said.

In a bid to fill the security vaccum, the CIA has been more active in Israel since Marcb bnt Israeli officials would not confirm if it was acting as a conduit for passing on information from the Palestinian-ruled areas of the West Bank and Gaza to Israeli intelligence.

"It is known that Israel and the US exchange information on a whole series of things, including possible terrorist attacks and on the understanding that the information does not go in any other direction," an Israeli official said. Military officials would not specify what kind of intelligence the CIA was gathering.

US to send observers to Algerian election

By Roula Khalaf in London

The US government is to send observers to monitor Algeria's elections next month even though other western countries seem reluctant to do so.

Algeria has asked 40 countries to send observers, in addition to a team from the Arab League and the Organisation of African Unity. The observers are to work under a six-member United Nations co-ordinating team. They will issue two reports, one on the electoral campaign starting oo May 16 and the other on the conduct of the vote on June 5.

Tbe presence of credible observers, and in numbers that allow them to monitor tbe poll throughout the country, will put pressure on the Algerian government to maintain transparency in tbe electioo. A UN team now in Algiers has already asked for changes that will make it barder to tamper with results.

The Algerian government is expecting at least 100 observers, on top of the Arab League and OAU partioipants. Canada and Sweden are said to be willing to send monitors.

But although western governments have repeatedly called on Algeria to hold a transparent election, many countries have not yet agreed to take part. Discussions oo observers are continuing within the European Union but most members, including France, the former colonial power, are leaning towards abstaining.

While some governments fear for tbe security of observers, others want to avoid rubber stamping an election they consider to be part of a rigged process. The elections are beiog held more than five years after the army cancelled an election which the Islamic Salvation Front (Fis) was on its way to winning. Since 1992, an estimated 60,000 people have died in the battle between Islamic militants and security forces. The Fis is banned and excluded from this year's elections. And, in a constitutional referendum last November which the legal opposition said had been rigged, tbe army-backed government has reduced the powers of the general assembly and boosting those of the president.

The US believes that a fair and open poll will, in spite of the shortcomings of the political system, give a voice to people ootside the old power structure and may open the door to a long-term resolution of the conflict. A rigged election, on the other band, would lead Algeria to loog-term cataetropbe because it would effectively close off the idea of any legitimate opposition, not only Islamist.

Nigeria bombers strike again

By Antony Goldman in Lagos

Unidentified bombers yesterday struck at a military target in Lagos, Nigeria's commercial capital, in the fifth sucb attack since December.

Colonel Godwin Ugbo, a defence spokesman, said five soldiers bad been injured in the blast, none of them seriously.

Eyewitnesses, bowever, spoke of panic, as what appears to have been a remote control device detonated just as an army bus passed the Yaba barracks.

The authorities arrested four people at the scene of the incident. No group has claimed responsibility but, in Marcb, 15 prominent opponents of General Sani Abacha's government were charged with treason in connection with a spate of hombings stretching back to 1995.

Tbe National Democratic Coalition (Nadeco) and other groups have denied any involvement in the violence, saying they wished to see change in Nigeria by peaceful, democratic means.

They say they are being used as a scapegoat to mask the government'e failure to catch the real perpetrators of the violence.

Army transport vehicles in rush-hour traffic have been the targets of all the attacks since December. On eacb occasion casualty figures have been relatively light, prompting speculation about the bombers' motives.

This includes a theory that there are rogue elements in the military intent on spoiling plans to return the country to civilian rule by October next year, or that there is a high-level conspiracy to stem disunity within the elite as the transition gathers pace.

Some observers also point the finger at officers alleged to be unhappy over their recent retirement.

Government ministers insist hostile, foreign powers are involved.

Arafat, Weizman closer on security

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HELLENIC TELECOMMUNICATIONS ORGANISATION S.A.

Condensed Financial Statements
Prepared under International Accounting Standards
for fiscal years ended December 31, 1996 and 1995
(in millions of Greek Drachmae)

BALANCE SHEETS

Assets	1996	1995
Fixed Assets		
Property and equipment	1, 436,254	1,325,658
Less Depreciation	(580,657)	(494,999)
	855,597	830,659
Investments	86,961	27,800
Deferred taxes	59,605	53,300
Other non current assets	30,354	19,951
Current Assets		
Accounts receivable	193,651	147,590
Materials and supplies	10,728	8,328
Due from State (principal shareholder)	13,358	0
Other current assets	41,089	37,798
	268,826	193,716
	1,291,343	1,125,426

Liabilities & Shareholders' Investment	1996	1995
Shareholders' Investment		
Capital	316,499	298,488
Paid-in-surplus	74,601	0
Legal reserve	36,753	29,356
Retained earnings	189,743	101,294
	617,596	429,135
Subsidies, net of amortization	111,036	108,615
Long-term debt	120,972	123,783
Reserves for staff retirement and other employee benefits	153,145	138,591
Other long-term liabilities	23,941	24,379
Current Liabilities		
Bank loans and overdrafts	25,492	99,726
Accounts payable	41,510	47,709
Income taxes payable	59,828	44,069
Dividends	76,139	43,860
Other current liabilities	61,684	65,556
	264,653	300,920
	1,291,343	1,125,426

STATEMENT OF OPERATIONS

	1996	1995
Operating revenues	679,484	593,033
Operating expenses	(405,883)	(356,062)
	273,601	236,971
Financial net	(2,730)	(17,205)
Other net	(5,934)	609
Profit before income taxes	264,937	220,375
Income taxes	(93,131)	(81,610)
Net profit	171,806	138,765

MOVEMENT IN SHAREHOLDERS' INVESTMENT

	1996	1995
Shareholders' Investment, January 1	429,136	345,233
Net profit for the year	171,806	138,765
Capital Increase	18,011	0
Paid-in surplus, net of share issuance expenses	74,601	0
Dividends	(75,960)	(54,860)
Shareholders' Investment, December 31	617,596	429,138

Note: OTE prepares and publishes financial statements in accordance with both Greek Statutory requirements and international Accounting Standards (IAS). The major differences between Statutory and IAS financial statements relate to the accounting of (a) deferred staff retirement and other employee benefits, (b) subsidies for fixed asset acquisitions, (c) compulsory revaluation of fixed assets and (d) deffered income taxes.The above financial statements have been audited by independant public accountants, whose report thereon includes an exception, as the development of OTE's fixed asset register for telecommunication equipment and installations has not yet been completed. The finalisation of the aforementioned register is in its final stages.

The Chairman of the Board of Directors
D. Papoulias

The Managing Director
P. Lambrou

The Director General Finance
Ch. Kazantzis

The Director of Financial Services
J. Kartsonas

HELLENIC TELECOMMUNICATIONS ORGANISATION SA

THE SHAREHOLDERS OF THE HELLENIC TELECOMMUNICATIONS ORGANISATION S.A.

(REGISTRATION NUMBER 347/06/B/86/10) ARE HEREBY INVITED TO THE 45TH ORDINARY GENERAL ASSEMBLY (FISCAL YEAR 1/1/1996-31/12/1996)

Pursuant to the Law and the Company's Articles of Association Charter and following Resolution no 2507 of the Board of Directors, taken on 7/5/1997, the Shareholders of the Hellenic Telecommunications Organisation S.A. are hereby invited to the 45th Ordinary General Assembly, to be held on Thursday, 29/5/1997, at 12.00 hours, at Holiday Inn Hotel, 50 Michalacopoulou Street, Athens) to discuss and debate upon the following:

1. Presentation of the Management Report drafted by the Managing Director and Audit Reports compiled by the Chartered Auditors and the Auditor of international repute, in respect to the annual financial statements of the fiscal year 1996 financial statements including the financial statements compiled in accordance with the International Accounting Standards.
2. Approval of financial statements and reports for the fiscal year 1996.
3. Approval of profit allocation.
4. Acquittal of the Board of Directors and Auditors from any compensation liability for the fiscal year 1996, pursuant to Codified Law 2190/1920.
5. Approval of remuneration paid to the members of the Board of Directors and determination of their remuneration's form.
6. Approval of remuneration paid to the Chairman of the Board of Directors and the Managing Director and determination of their remuneration.
7. Appointments of Chartered Auditors (two principal and two deputy auditors) and one auditor of international repute for the fiscal year 1997, pursuant to the provisions of Law 2257/94 and determination of their fee.
8. Miscellaneous announcements.

In order to participate in person or by proxy, in the said General Assembly, Shareholders shall, in conformance with the Law and the Company's Article of Association, deposit their share certificates with any Bank in Greece or abroad; the Consignations and Loans Fund or OTE's Treasury (99 Kifissias Ave. Maroussi), at least five (5) full days before the appointed date for the General Assembly namely by 29/5/1997. By the same deadline, Shareholders must have also deposited the Share Depositary Receipts as well as the proxy forms with OTE's Share Registrations Office, at 15 Stadiou Street, Athens.

By authorisation of the Board of Directors

D. Papoulias
Chairman

Athens, 7-5-1997

e again

'Mayday' call over bulk carrier safety

Hundreds of 'forgotten seafarers' have died, but there is no consensus on how to reduce risks

Bulk cargo ships which carry ore, coal and grain around the world sink quickly if they take in water. Because they carry such heavy loads, they can go down in seconds – often before the crew can even send out a "mayday" distress call.

The crews lost this way from dry bulk carriers – 561 seafarers in the past 6¼ years – tend to be the "forgotten seafarers" of merchant shipping, working under little-known flags and plying between distant and exotic ports.

But, though their crews may be invisible to most people, the world fleet of 4,600 dry bulkers are the workhorses of the maritime world. And maritime safety experts are trying to reduce their alarmingly high losses, which are worse than in any other category of shipping.

The industry is trying to reach some agreement ahead of a meeting in London this month of the maritime safety committee of the International Maritime Organisation (IMO), the United Nations shipping agency. The eight-day meeting starts on May 28, but the portents are not good.

"These ships tend to fly strange flags, have foreign crews and operate far away between ports and across seas whose names mean nothing to the average person," says Mr William O'Neil, IMO general secretary. "Why should we expect that person to care when one of them disappears?"

The problem has puzzled the international shipping community for the past decade. Rapid increases in the size of these vessels has raised questions about their design, while rough treatment when they are being loaded and unloaded in port places heavy strains on their steel frames.

But, partly because of the lack of public pressure for safety improvements, finding a solution has been tricky – creating friction between regulators, shipowners and technical experts.

If this month's maritime safety committee meeting can reach agreement, it will make recommendations to the IMO's full assembly in November.

But there is likely to be hard bargaining before then. Opposition from the Greek government, representing the world's largest shipowning community, and others prevented agreement being reached last year. And even countries which are broadly in favour, such as Japan, are continuing to argue over technical issues.

Intercargo, the International Association of Dry Cargo Shipowners, has been cautious about proposals for change, pointing out the need for measures which are both practical and commercially acceptable.

Tempers have been roused by what some in the industry regard as precipitate action by the classification societies – such organisations as Lloyd's Register – whose experts regularly survey vessels for their seaworthiness.

The International Association of Classification Societies, which groups the 13 largest, unveiled proposals in December to strengthen the bulkhead or partition dividing the first and second holds on dry bulk carriers. The association's research had found that if seawater penetrated the first hold, the bulkhead could collapse and the vessel could founder very quickly.

This annoyed the shipowners, who claimed they were not consulted and complained that the association had failed to produce any costings for its plans. Some feared the costs could run into millions of dollars for each ship. The societies have since calculated the cost should be between $75,000 and $200,000 per vessel.

"What really got the industry cross was that we put this out in a hurry," says Mr James Bell, the association's permanent secretary. "But we had been asked to clarify the position and we thought we had better do something fast."

The classification societies had already introduced a more rigorous method of inspecting dry bulk carriers, known as the enhanced survey programme, in 1993. Until February this appeared to be working because no ship which had undergone such a survey had been lost.

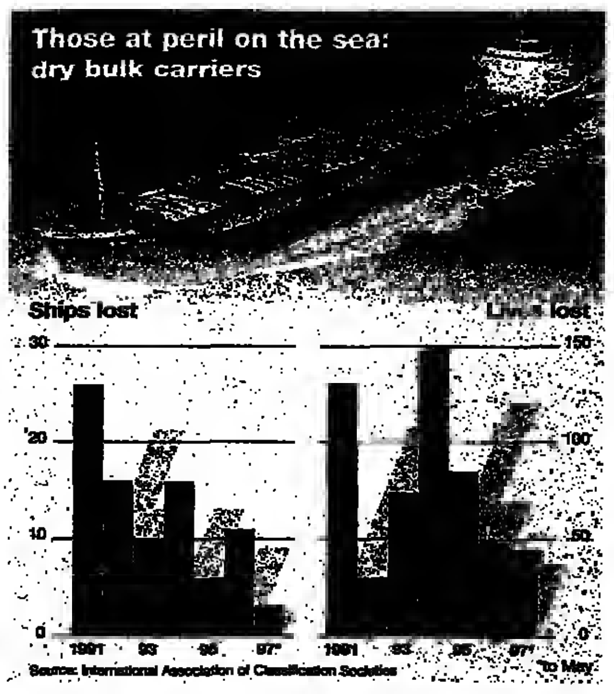
But earlier this year disaster struck. Within a few days of each other two bulk carriers, the Leros Strength and Albion Two, both of which had undergone enhanced surveys, went down with the loss of 45 lives. This has strengthened the case for structural improvements to dry bulkers.

Although the cost per vessel may not appear large, shipowners are reluctant to spend on a sector where freight rates are under pressure. Intercargo had been forecasting a slight improvement this year but rates have fallen by a fifth over the past two months and expectations for the year are now more restrained.

How the shipping industry resolves the problem of bulker losses will be a measure not only of its approach to the well-being of employees but also of its collective ability to negotiate and implement safety improvements.

Charles Batchelor

Those at peril on the sea: dry bulk carriers



Eximbank and Opic face survival test in US

By Nancy Dunne in Washington

The US Export-Import Bank, which finances foreign sales, and the Overseas Private Investment Corporation (Opic), which provides investment insurance and guarantees, today face an important hurdle in their battle for survival.

A House of Representatives banking subcommittee is to draw up legislation, proposed by the Clinton administration, to re-authorise Eximbank for four more years and Opic for three.

The chances of the two institutions winning reauthorisation are improving following efforts by US business the efforts which have "produced a substantial change in opinion," according to a leader of the business lobby.

"Our biggest problem has been not the opposition but lack of information," said Mr Edmund Rice, executive director of the Coalition for Employment through Exports, which includes leading businesses.

But armed with new data about export-dependent companies in congressmen's home districts, the lobbyists say they have begun to convert both Eximbank and Opic opponents and fence-sitters.

Earlier this year Eximbank and Opic became the targets of an unlikely coalition of liberal Democrats and Republican conservatives committed to reducing government involvement in business.

Led by Mr John Kasich, the Republican head of the House budget committee, the coalition put Opic high on the hit-list of a "dirty dozen" federal programmes accused of providing "welfare" – unnecessary government subsidies that distort investment decisions – for big corporations.

However, two recent reports have helped turn the tide in stating the case for retaining the agency and Eximbank. One report, released by the Economic Strategy Institute, a Washington-based think tank, disputed the notion that Eximbank duplicates private sector activities at taxpayers' expense.

Eximbank's primary functions are "to neutralise aggressive, foreign, export-credit subsidies and to furnish prudent export financing when private funds are not available," it says.

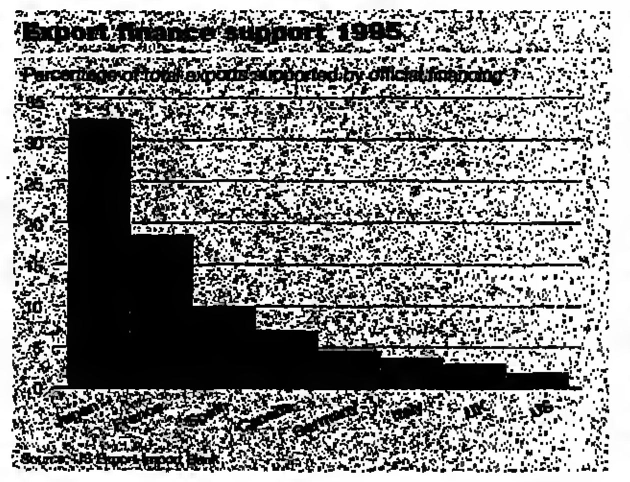
Removing the agency from the US "trade arsenal" might save $800m in the short-term. But it could cost the US government $24bn a year, through the loss of tax revenue generated by Eximbank financed sales.

Another report, released yesterday by the National Association of Manufacturers (NAM), said the US provided the least official export credit of any industrialised country. Japan provides 10 times more support; France six times more.

"Pricing for investment insurance offered by Opic often ranges between two to four times as much as that being offered by similar agencies in Japan, Germany, France and Britain," the NAM report said.

Export finance support 1995

Percentage of total exports supported by official financing



Source: US Export-Import Bank

Vietnam in $3.5bn plan for telecoms

By Jeremy Grant in Hanoi

Vietnam needs investment of $3.5bn to develop its telecoms infrastructure and says it is willing to share revenue with foreign companies to help finance the ambitious programme.

Mr Dang Dinh Lam, director general of state-owned Vietnam Post & Telecommunications (VNPT), said about 60 per cent of the funds needed would come from "international resources," primarily foreign investment, foreign bank loans and the issue of a bond on the international capital market.

However, bankers and economists say Hanoi will be hard pressed to meet its targets, given scarce local funds and the reluctance of foreign banks to lend large sums to VNPT until it makes its balance sheet public.

Nevertheless, Vietnam has emerged as one of the most promising telecoms markets in south-east Asia, attracting scores of operators and equipment suppliers.

The plan calls for the number of telephones to be raised from 1.5 per 100 people to five or six per 100 by 2000 through the installation of fixed line and wireless local loop networks.

About $1.8bn of the foreign funding planned is already accounted for under four contracts to install 900,000 land-based telephone lines in Ho Chi Minh City and Hanoi. They are expected to be approved by the VNPT board this week and involve Telstra of Australia, France Télécom, NTT International of Japan and Cable and Wireless of the UK.

Mr Lam would not say what size of bond VNPT was considering, but Vietcombank, the country's biggest state-owned bank, is working on a $50m issue. Bankers say VNPT's is likely to be roughly that size and would come once Vietnam had made a debut sovereign issue, expected in early 1998.

In addition, between $120m and $150m would come from government development aid, mostly from Japan and France, to be used for rural telecoms.

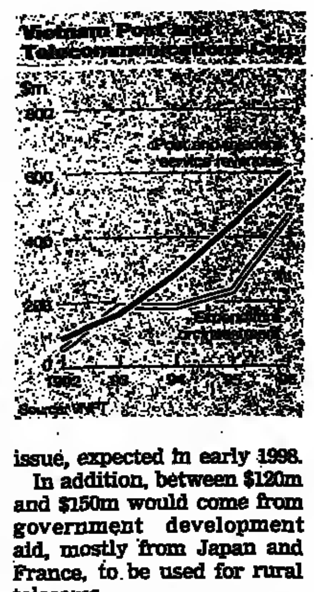
Preparations were also being made for the launch of Vietnam's first satellite, a $100m project in which US companies Hughes and Loral Space Systems, Matra Space and Alcatel of France and Japan's NEC are interested.

VNPT has so far relied largely on supplier credits to finance expansion, resulting in the acquisition of many types of often incompatible equipment. Mr Lam said VNPT planned to clamp down on such haphazard sourcing. That would draw VNPT away from supplier credits and create emphasis on foreign bank financing.

However, bankers say VNPT must disclose financial information before any significant sums are granted. A culture of secrecy pervades all state-owned enterprises in Vietnam.

"People would be prepared to lend them figures of up to $25m, but when it's $50m or more, that becomes a problem," said one foreign telecoms company.

Foreign companies are also keen to see how VNPT plans to tackle market opening issues once Vietnam joins the World Trade Organisation.



Targeting the little man in Kazakhstan

By Charles Clover in Almaty

Last year, Ablaikhan Samatdin, a fruit juice merchant in Kazakhstan, was finding life as a small businessman very hard. For the past year his company, Parasat-Samex, had been charged exorbitant fees by the local state-owned processing factory to turn imported concentrate into juice. Mr Samatdin wanted to set up his own factory, but lacked the finance and expertise to do so.

Then last July, along came Mr Gerald Kelly, a volunteer retired business executive, with a firm handshake, a commitment to the small businessman and an unusually precise knowledge of food processing machinery.

Mr Kelly came to Kazakhstan under the umbrella of the International Executive Service Corps, an organisation funded by the US Agency for International Development (USAid), which sends volunteer retired executives to developing countries to spread the gospel of western business practices.

Mr Kelly's arrival resulted from a shift in thinking by development economists throughout the world towards SMEs, or small and medium enterprises. As the tide turned in favour of these enterprises, central Asia became a magnet for hundreds of millions of dollars designated for companies like Parasat-Samex.

The Asian Development Bank announced a $100m programme last year in Kazakhstan, the European Bank for Reconstruction and Development in February granted a $120m facility to Uzbekistan for SME lending. In addition, USAid also funds several projects with the same goal, such as the Central-Asian American Enterprise Fund which has investments in 76 businesses in Central Asia.

"Small business creates GNP, but it also creates hope, jobs, and the confidence to build democracy," said Mr Kelly who spent most of his career in the far east as an executive for Beatrice Foods.

The first thing Mr Kelly and Mr Samatdin did was to put together a business plan, outlining the goal of importing high-tech Swedish equipment to make top-quality fruit juices. "We made up 10 copies of it and went fishing," said Mr Samatdin. At first, there weren't many bites: Kazakhstan's banking system is in turmoil as a result of payment arrears that total half of the country's gross domestic product. "No one makes enterprise loans any more, the banks here only do trade finance and currency speculation," said one western economist.

Then an announcement appeared in the local business newspaper to broadcast that the first tranche of the $100m ADB loan targeted at small businesses was being disbursed.

"I said to my secretary: 'Get me a list of the surnames of all the people in the credit department at Eximbank'," said Mr Samatdin, referring to one of the local banks through which the ADB credits were to be granted. A few months later, a $1.35m loan was signed, which, together with some financing from Tetra Pak, the equipment manufacturer, was enough to buy a building and equipment to produce 10,800 litres per day of fruit juice.

The macro-economic aspect of interest in SMEs stems from a new attention to the concept of scale, after it became apparent from Russia's experience that privatisation alone would not create a competitive market. Many Russian state-owned monopolies were privatised whole, and remain monopolies, one reason why prices in Russia are among the world's highest.

"The small and medium enterprise sector is completely missing in Central Asia as well as the rest of the CIS," said Mr Charles Coe of the ADB. He stressed the importance of the sector because in a typical western country, half the GDP is generated by SMEs, which also form the basis of another western phenomenon: a middle class.

WORLD TRADE NEWS DIGEST

Tax hits car sales in Japan

A rise in Japan's consumption tax hit sales of imported cars in April, the first decline for four months, the Japan Automobile Importers' Association (JAIA) said.

Sales of imported cars fell 38 per cent in April, following a sharp increase in March before the anticipated tax rise from 3 per cent to 5 per cent. Sales of domestically produced vehicles fell for the same reason, but the decline was far less steep at 13 per cent. The JAIA said imported cars suffered more because of their higher prices.

April also saw the first decline in foreign car imports, excluding those made by Japanese transplants, since 1993. Overall vehicle imports from the US declined 47 per cent while those from Germany fell 29 per cent.

The JAIA is forecasting a rise in vehicle imports of just under 5 per cent in the full year. However, fierce competition between Japanese carmakers, price reductions, a surge in the production of recreational models and the weaker yen are fuelling concerns that imported cars could suffer a decline in sales for the full year. *Michiyo Nakamoto, Tokyo*

UK backing for China bridge

Britain's Export Credits Guarantee Department (ECGD), its export credit agency, said yesterday it would back a contract won by Kvaerner Cleveland Bridge to build a bridge over the Yangtze river in China. The Jiangyin Suspension Bridge, near Nanjing in Jiangsu Province, will be China's longest bridge and the fourth longest in the world.

The ECGD will guarantee a loan of $89.3m to China Construction Bank to finance the project. The loan is being arranged by BZW, Barclays Bank's investment banking arm, along with the Bank of China, Société Générale, and the Standard Chartered Bank.

Britain's Overseas Development Administration is also making a grant to support project management, training, environmental and social studies, and monitoring. The project involves designing and erecting the superstructure for a six-lane steel suspension bridge with a span of 1,385 metres. *Foreign Staff, London*

Balfour wins power line deal

Balfour Beatty, the construction arm of the BICC group, said yesterday it had won a £75m ($121m) contract with the Indonesian electricity utility PLN to design and install overhead transmission lines. The 400km-long lines will be built in two sections and will run from a power station under construction at Paiton to Kediri and Klaten.

The work will start soon and is scheduled to finish in 22 months. The World Bank will fund the contract. Balfour Beatty Sakti, a Jakarta-based joint venture between Balfour Beatty and a local contractor, will take charge of the construction and administration. Balfour Kilpatrick, a subsidiary of Balfour Beatty, will manage the project and provide technical support.

Balfour Beatty said the venture reflected a continuing strategy to win non-UK contracts. *Michael Peel, London*

Thais to buy Indonesian gas

Thailand yesterday agreed in principle to buy natural gas from Indonesia's Natuna project and to acquire an 11-15 per cent stake in the project, Mr Korn Dabbaransi, the industry minister, said. Thailand would buy gas from 2005, taking 500m cubic feet per day in the first two years and later increasing its volume to 1bn cubic feet per day. The minister said the gas price had to be negotiated further but Thailand had made it clear that it would buy at platform prices. *Reuter, Bangkok*

The government plans emergency move to prevent further assisted places in schools

Education bill to be rushed through

By Robert Peston, Political Editor

The new UK government is to rush an emergency education bill through the House of Commons to prevent private schools offering places under the assisted places scheme, which is being phased out.

Next week's Queen's Speech, which marks the formal opening of parliament, is also expected to contain plans for immediate reform of tha private finance initiative to limit its scope in the National Health Service.

The cabinet meets formally today to plan the government'e first 18 months of legislation. There will be at least two education bills, e crime bill, legislation paving the way for a national minimum wage, a bill to set up an independent foods standards agency and a raft of constitutional legislation.

However the government's bopes of securing speedy passage of bills to set up devolved parliaments in Scotland and Wales was dealt a blow when Ms Betty Boothroyd, the Speaker, said she felt these measures should be debated on the floor of the Commons.

When preparing the legislation in opposition, Labour had hoped much of this constitutional agenda could be discussed in committee so that there would be time to debate other more populist legislation on the floor of the House.

Parliament assembled yesterday for the first time since the general election, to re-elect Ms Boothroyd as speaker.

In a mid-morning meeting of the parliamentary Labour party – open for the first time to press observers – Mr Tony Blair, the prime minister, warned the record 419 Labour MPe against "bebaving with indiscipline and thoughtlessness".

"Remsmber, as you speak, thet you owe something to thosa thousands and millions of Labour supporters that put you here."

He urged them to "remember that you are not here to enjoy the trappings of power but to do e job and to uphold the highest standards in public life".

In spite of his calls for unity, a quartet of hardline leftwing MPs – Mr Dennis Skinner, Mr Bill Michie, Mr Dennis Canavan and Mr Ken Livingstone – immediately attacked the government's decision to legislate to transfer control over the setting of interest rates to the Bank of England.

Mr Blair demonstreted his determinatioo to carry out radical changes to the social security system by giving Mr Frank Field – the number two minister in the social security department – the formal titla of minister of state for welfare reform.

Mr Field's specific duties include long-term planning and "a fundamental expenditure review" with an overview of work incentives, poverty and disability benefits.

Mr Field and Ms Harriet Harman, the social security secretary, joined the first, rushed, meeting of the cabinet committee set up to implement Labour's welfare-to-work programme.

New head of trade takes the long view

Labour's Margaret Beckett will avoid acting prematurely

The Labour party'a Mrs Margaret Beckett is playing it long. The new President of the Board of Trade has inherited e deskfull of decisions left waiting to be mada by ber Conservativa predecessor, Mr Ian Lang. And tha Labour manifesto has committed the Department of Trade and Industry to e large volume of complicated policy changes.

But Mrs Beckett plans to take her time. "I don't like being rushed into things," she says – e view repeated several times during an interview yesterday.

High on the list of manifesto promises is e tougher competition law, something which is generally agreed to be long overdue. The timing depends on the overall legislative programme, but Mrs Beckett is certainly keen to press ahead.

She would like to replace the current weak restraints on cartels with a stronger regime based on European Union law in Article 85 of the Treaty of Rome.

Ideally, she would like to extend this approach to abuses of market power, such as predatory pricing, using Article 86 of the Treaty of Rome as a model. But this would be rather more controversial, and she gives tha impression that she might be prepared to hold back here in order to get the legislation moving.

One policy initiative where controversy will be unavoidable is the minimum wage. Why has this been made tha responsibility of her department? "Because the prime minister wants issues lika the minimum wage and the social chapter to be seen as industry issues and not just industrial relations matters", a view with which she, unsurprisingly, concurs.

Here again, legislation is a priority but the timetable is not yet nailed down.

More urgent are the decisions that have to be made abont merger proposals already waiting in the in-tray, notably the takeover by Bass of the Carlsberg-Tetley brewing business. A report on the proposal by the Monopolies and Mergers Commission has been gathering dust at the DTI since it was completed in March, and any agreement would involve what would be perhaps the most decisive move yet in the reorganisation of the UK beer market.

Although she admits the timetable is fairly tight, Mrs Beckett is unfazed. She plans to work through all the papers carefully, and will not feel bound by previous decisions.

She is not yet ready to say where she stands on whether public interest considerations should be given greater weight in takeover policy. Here she is waiting to hear the views of e review team led by Lord Borrie, a former director-general of the Office of Fair Trading.

The new government'e policy on regulating the privatised utilities will take longer to materialise. Mrs Beckett says she wants the regima to become much more open and accountable. Otherwise, there will be growing public concern about what she describes as "personality regulation" – which is what can happen when a powerful utility and a lone regulator find themselves constantly at odds.

She suggests that over time there will probably be fewer regulators – it might make sense, for instance, to merge gas and electricity into a single energy regulator. But bere again, there will no rapid change.

Mrs Beckett is anxious to stress two features of ber new department.

One is that it has regained responsibility for policy-making on competitiveness, a role established by Mr Michael Heseltine, a former Conservative Board of Trade preeident, to which she ettaches importance. She says Labour has benefited greatly from its consultations with business.

One initiative will be to set up a new exporters' forum, intended to belp companies get around obstacles to overseas trade.

The second point of emphasis is the department'e responsibility for science and technology, which has been upgraded to have its own Minister of State.

All this seems fine but leads to the question: what is the DTI actually for?

Mrs Beckett has no doubt that it has a part to play in helping tha UK achieve economic success. She wants to work in partnership with industry, without second guessing people in their areas of competence, and to identify those areas wbere government is needed to make things happen.

And what about her role? Mr Heseltine, her predecessor but one, once famously claimed that he would be ready to intervene "before breakfast, lunch and dinner".

"That was a silly thing to say," says Mrs Beckett firmly. She would prefer to be judged by her actions, retber than by grand declamatory statements.

And she is not hunting for newspaper headlines. "I don't care if peopla say I am the most boring President of the Board of Trade there has ever been if I can contribute to the success of British business."

Richard Lambert

Brandon Carr

Unfazed: Margaret Beckett intends to work carefully through the papers in the in-tray

> 'I don't care if people say I am the most boring President of the Board of Trade there has ever been'

Race hots up to lead ousted party

By James Blitz, Political Correspondent

Mr William Hague, the youngest member of the last Conservative cabinet, yesterday waded into the battle for party's leadership, pledging root-and-branch reform of organisation and tactics.

Defying taunts from some MPs that he had "dithered" before deciding to stand, the 36-year-old MP promised "a fresh start" for the party and e new approacb to campaigning.

Announcing his decision to stand, in e restaurant near the House of Commons, Mr Hague admitted that the Conservatives had much to learn from the way Mr Tony Blair, the prime minister, fought the election.

"New Labour may have learnt from us in their policies. We have e great deal to learn from them in communicating through the modern media," he said.

Mr Hague said: "I am not planning to do e Peter Mandelson [who masterminded Labour's campaign] but I am planning to modernise our approach to communicating with the country."

Mr Hague, a rightwing politician with strongly Eurosceptic views, was repeatedly interrogated over wby he had agreed this week to be the junior running mate to Mr Michael Howard, the former home secretary – only to back out of the pact at the last minute.

Mr Hague said if there had been any "misunderstanding or bad taste in the mouth" from discussions with Mr Howard, then he was "happy to take the blame". Asked whether the move illustrated his inexperience, ba said: "By my age, William Pitt [Britain's youngest prime minister] was nearly on his death bed."

The upbeat launch was in marked contrast to the performance of Mr Stephen Dorrell, the former health secretary, who also entered the fray yesterday.

While Mr Hague was able to muster nearly e dozen backers from the parliamentary party, Mr Dorrell was forced to admit that he had just two MPs supporting him – Mr David Faber and Mr Simon Burns – and ona member of the European Parliament who has no vote in the contest anyway.

Mr Dorrell, who is on the left of the party, did not hold a press conference and instead launched his campaign by distributing a circular to Conservative MPs. It is understood that Mr Dorrell's campaign office has one telephone. It was noted that he could not cite Mr Peter Luff, the MP for Worcester, in the English Midlands, as a supporter – even though he is known to be a close friend.

The contest will take place once Conservative MPs have selected the executive for the party's 1922 committee, which manages the election. Sir Archibald Hamilton, a former minister, yesterdey announced he would be standing as chairman.

All sides do battle for seats of power

By George Parker

It was an emotional moment for Mr Tony Benn, the veteran Labour leftwinger, as he rose to his feet to congratulate Ms Betty Boothroyd on her re-election as Speaker of the House of Commons. "I have not spoken from the government backbenches since August 1 1951," he said.

Nothing about the post-landslida House of Commons was familiar. After 18 years of Conservative rule, Labour MPs were clearly disoriented as they headed for the government benches, and listened to Mr John Major, the former premier, addressing Mr Tony Blair as "the prime minister". There were a record 262 new members for Ms Boothroyd to identify, many of them wandering around Westminster clutching a useful video produced by the House authorities on bow to be an MP. The new House had assembled formally to re-elect Ms Boothroyd. But MPs were more concerned to swap gossip and compare ths sizes of their respective swings.

Conservatives were in a state of shock. "This is a bit like being at an RAF base in 1940 seeing how many of your friends have made it back," said one.

The main problem facing the Labour party was where to put its 419 MPs. With the limited seating available, many were forced to sit in upper galleries or stand behind tha Speaker's chair.

Another mark of the new Commons was the presence of 120 women MPs.

Meanwhile, the Liberal Democrats, whose ranks have been swelled to 46 MPs, plotted a coup to capture the opposition front bench below the gangway. They marched into the chamber at 1pm to stake their claim. Veteran Conservatives, who had already been into the chamber to bag their places with pieces of card, were furious. But when Sir Edward Heath, the former Conservative prime minister, arrived to claim his seat below the gangway – the traditional seat of the Father of the House – the Liberal Democrats made way. "We are delighted to have him on our benches," one said.

Bit of a squeeze: Betty Boothroyd and Labour MPs on ths packed Commons benches

Contenders line up for Bank interest rate team

By Richard Adams, Economics staff

The Bank of England'e credibility in fighting inflation and setting interest rates will depend on who fills the seats on its new monetary policy committee.

In his reforms of the central bank, announced on Tuesday, Mr Gordon Brown, the chancellor (finance minister), handed over the task of fixing UK base rates to the committee.

This will be composed of nine people, chaired by the governor and overseen by a reconstituted Court of the Bank of England. The role of the Bank'e present deputy-governor, Mr Howard Davies, will be shared. One deputy-governor will be responsible for financial stability and a second for monetary policy. Both sit on the committee.

A further two members of the committee will be appointed from within the Bank of England: Mr Mervyn King, the bank's economist and executive director responsible for monetary policy, and Mr John Plenderleith, the executiva director responsible for market operations.

The remaining four members of the committee will be eppointed by the government. Mr Brown has given few hints about who will be appointed, but his letter to Mr George on Tuesday said: "They will be recognised experts."

Top of most lists of likely members is Mr Gavyn Davies, chief economist and partner of Goldman Sachs, the US investment bank. Mr Davies is close to senior members of the Labour party, including Mr Tony Blair, the prime minister, and has been a strong supporter of giving the Bank responsibility for interest rates. But Mr Davies may not be tempted to give up his lucrative position with Goldman Sachs for a full-time position with the Bank. What may tempt him is the possibility of eventually moving into the position of governor. If he does join the committee, be is likely to be eppointed to one of the deputy-governor posts. Mr King is also a candidate for deputy-governor, and would be a future contender for the governorship.

Professor Devid Currie of the London Business School, who was last year made a peer by the Labour party, leads the list of candidates for one of the four government-appointed posts. Prof Curria was one of the first "wise men" on a committee of independent economic advisers eppointed by Mr Norman Lamont, the then chancellor, in 1992.

Professeor Charles Goodhart, adviser to the Bank until 1980 and now professor of banking and finance at the London School of Economics, is also tipped.

Mr Michael Saunders, an economic analyst with US investment bank Salomon Brothers, and Mr Neil MacKinnon, chief economist at Chase bank in London, are also strong contenders.

Samuel Brittan, Page 12

UK NEWS DIGEST

Factory output drops in March

Manufacturing output in the UK dropped unexpectedly in March, confirming that the strength of sterling is eating away at the recovery in industry. The City of London reacted positively to the figures, seen as slightly lessening the chances of another interest rate rise in the short term. Official data showed yesterday that overall industrial production compared to February fell by 0.1 per cent. Manufacturing output – which excludes mining and energy production – also dipped by 0.1 per cent. Most City forecasters bad predicted increases in both figures of between 0.2 per cent and 0.6 per cent. Economists said the weakness in industry gave e clue as to why Mr Gordon Brown, the chancellor of the exchequer, raised rates by only 0.25 of a percentage point on Tuesday. The figures backed Mr Brown's reference to the "disappointing levels of manufacturing activity" after be announced the rate rise.

March's downturn also caused the annual rate of growth in industrial activity to slow. Industrial output in the 12 months to March increased by 0.5 per cent, compared to a 1.3 per cent gain in the year to February. Annual factory output growth slowed to 1.4 per cent, compared to 1.7 per cent previously. "These figures serve as a timely reminder that industry needs more rises in interest rates – and the further rise in the pound they could prompt – like e hole in the bead," said Mr Jonathan Loynes, UK economist at HSBC bank. Mr Andrew Cates, economist at UBS, said the fall in output showed the strong pound is "playing a powerful role in restraining demand-led inflationary pressures". *Richard Adams*

■ RAIL

First test for competition issues

Two train operating companies are in dispute in the first test of competition issues on the newly privatised railway. The rail regulator, Mr John Swift, is expected to rule shortly on whether South Wales & West, owned by Prism Rail, should be allowed to launch through services from south-west to north-west England from June 1 – in competition with existing trains run by Virgin Cross Country.

The regulator has imposed tough restrictions on new services which compete with existing trains to allow the new private operators to become establisbed. Virgin, which says the dispute over the new services pre-dates its acquisition of the Cross Country network from British Rail, the former state operator, said Prism was only launching the new trains to win a share of passenger revenues. Prism denies this. Under the revenue allocation system inherited by tha private companies from BR, train operators are allocated revenues according to the number and timing of trains rather than the actual number of passengers. The dispute has already been considered by the arbitration committee of the Association of Train Operating Companies, which ruled in favour of Virgin. But Prism has appealed to the rail regulator for a final verdict. *Charles Batchelor*

■ CHURCH OF ENGLAND

Report reveals assets at $4,821

The Church of England has transformed itself from e failed investor in property to e successful investor in equities, the annual report from the church commissioners, wbo manage the church's investments, reveals. At the end of December, net assets stood at £2,976m ($4,831m), a figure that in cash terms is marginally above the previous peak of £2,932m in 1989. That was just before what a House of Commons committee branded as "foolish" property investments during the 1980s, which produced an £800m loss and a financial crisis for the church.

Big changes to pension arrangements, approved by parliament just before the general election, have brought liabilities back into line with assets, Mr Christopher Dews, the commissioners' finance secretary, said yesterday. The changed investment performance since 1994 came as the commissioners took advantage of the strengthening property market to dispose of £700m in property, investing in the rising equities market. *Nicholas Timmins*

■ PENSION FUNDS

Warning over tax breaks

The National Association of Pension Funds will todey warn Mr Gordon Brown, the chancellor, of the dangers of removing tax breaks enjoyed by pension funds. At the association's annual conference in northern England Ms Ann Robinson, director-general, is expected to say that the association has "deep concern" about the government's projected tax policies. She will warn that reducing or abolishing the advance corporation tax credit enjoyed by pension funds and other non-taxpaying recipients of dividends would be a "serious mistake".

The association is concerned that Labour's pledge not to increase income tax rates means it will have to increase other taxes. An association official said yesterday: "We are getting a lot of concern from members and we are going to go flat out to try to ensure it does not go ahead." Dividends paid to pension funds are exempt from tax because income is taxed when it is received. The association believes Mr Brown is considering reducing or ebolishing the 20 per cent tax credit on dividends in his summer Budget following the 5 percentage points cut implemented in 1993. *William Lewis*

■ NORTHERN IRELAND

New impetus urged in peace talks

Mr John Bruton, the prime minister of the Republic of Ireland, yesterday called on Labour to launch a series of confidence-building measures in Northern Ireland to kick-start the faltering peace process. Mr Bruton, who will meet Mr Tony Blair for the first time as prime minister today, highlighted the issue of IRA prisoners as a vital step in making "a new beginning".

He urged the new Labour government to show "a sensitivity to the concerns of prisoners" by transferring as many inmates as possible to prisons close to their families.

In e speech at Oxford university last night, Mr Bruton also called on Mr Blair to implement the North report on sectarian marches in the immediate future. He described the report as "one of the most important confidence-building measures in Northern Ireland" replacing "confrontation on the streets" with a "consensual approach". He said be would offer Mr Blair today the wbole-hearted co-operation of the Irish government in revitalising the peace talks which resume on June 3. *Richard Wolffe*

■ UNIT TRUSTS

Hybrid investment vehicle launch

The launch of the first UK open-ended investment company was announced yesterday by fund manager Global Asset Management after years of regulatory wrangling and delays. It is set to be the first of many. The Association of Unit Trusts and Investment Funds believes that the Oeic – a hybrid of e unit trust (equivalent to a mutual fund) and an investment company – will eventually come to dominate the £141bn ($228bn) unit trust industry. Mr Philip Warland, Autif's director-general believes that Oeics will attract a "considerable flow of funds from overseas investors in the coming months and years". Unlike unit trusts, Oeics are already well established in mainland Europe. But fund managers are more sceptical about how well UK Oeics will sell to overseas investors. UK Oeics will pay dividends net of UK tax, unlike offshore funds which pay income gross. *Jean Eaglesham*

TECHNOLOGY

A hand-held laser pen could reduce the time needed to clean paintings, says **Bill Hunter**

New light on old oils

Only a short walk from the UK art gallery which honses L.S. Lowry's "matchstick" paintings, scientists are designing a revolutionary laser that could stoke up the debate in the art world on the cleaning and restoration of old paintings.

The idea is light years away from the popular image of lasers as Star Wars weaponry. The team at Salford University in northern England believes tbat by the early years of the next decade, once the research and design is complete, the technique will offer an alternative to the swabs, scalpels and solvents used to clean oil paintings.

Operating at the click of a mouse, the compnter-controlled laser machine will clean paintings using ultra-violet ligbt to scan the canvas. The process will also remove old varnish only a few microns thick, along with the dust and debris of centuries.

The project is led hy Colin Whitehead and Allan Boardman, profeasors at tbe university, assisted by a steering committee with representatives from the Tate Gallery, the Courtauld Institute of Art, North West Museums Service at Blackburn, north-west England, and the National Museums and Galleries on Merseyside.

The target date for building the first prototype is 14 months from now. Whitehead, who holds tbe BNFL chair at the university, expects to see by then wbat he describes as a hand-beld laser pen ready to use on oil paintings.

The first laser prototype, which was Whitehead's idea, will remove the varnish layer covering an area balf a centimetre square without damaging the art work underneath. The operator will work across the canvas to complete the cleaning operation.

The low-temperature laser beam works by disturbing the molecules in the varnish, turning them into a vapour and sucking the debris into a nozzle on the pen in one operation.

The process could be carried out in a few hours, compared with the weeks or months needed for existing methods. Whitehead and Boardman, head of the physics department, believe the technique will not only clean tbe canvas hut will restore the pigmentation of the oils to tbeir original condition.

Whitehead, who convinced BNFL that the project deserved a £120,000 grant ovar two years, compares the process to medical corneal sculpting. "If people are prepared to trust their eyes to laser treatment, as I have done, wa hope they will be eqnally happy to allow the same tecbniques to be used on their valuable paintings," he says.

"Before then we have to prove the system over and over again to the point where we are able to demonstrate that it is totally safe and much better than the old methods." Or, as Boardman puts it: "We do not intend to go down in history as the people who zapped the Mona Lisa."

Once they have reached the stage wben they can confidently demonstrate that the system is completely safe and user-friendly, the commercial implications could be significant.

In the next few months one of the steering committee experts will visit the auction rooms to bid for a faded old painting.

The unknown work, probably by a long-forgotten artist, might become as famous as a Monet, Matisse or Titian when it is used as the test bed for the process.

One of the experts watching the work with keen interest is Stephen Hackney, head of conservation science at the Tate. Laser cleaning, he says, offers the possibility of precise control within tolerances much less than the thickness of a varnish layer. But the process has some limitations.

"Although the beam is very accurately controllable it does not, as far as we know, help the operator to discriminate between the layers," says Hackney. "The operator must know with greater accuracy how far the cleaning action has penetrated towards the original surface of a painting."

More work needs to be done, he says, to assess the usefulness and drawbacks of laser systems in conservation before they can be used on important works of art.

The first article in this series on lasers appeared on April 24

Sudden impact: aircraft could be protected by the material

Explosions under control

Explosions can wreak havoc, but often the fast-flying debris and shrapnel canse as much damage as the blast itself. A new material using metal strands that stretcb like elastic bands could offer better protectiou.

Materials now used as hard armour can resist hits from objects such as lead bullets that mushroom ont on impact, but are vulnerable to sharp projectiles which cut or perforate.

The new perforation-resistant material, developed hy the Centre for Intelligent Materials at Virginia Tecb in the US, helps prevent pnncturing. It is made from a special metal alloy threaded througb a polymer composite material such as glass fibre. The nickel-titanium alloy, known as nitinol and origtnally developed by the US Naval Ordnance Laboratory, has an unusual property – shape memory. When it is deformed, the atomic structure of the metal transforms into a new configuration. But the new form is unstahla and quickly reverts to the original structure, restoring the original shape and giving the alloy its elastic properties.

Shape memory metals are used in medicine and dentistry, hut their use as protection against explosions is new. Nitinol's ability to stretch by up to 10 per cent, even when subject to a high speed hit, means it bends rather than tears and so is very tough.

"Adding nitinol to the polymer mix greatly improves the cutting and perforation resistance to sharp projectiles," says Jeffrey Paine, who developed the material witb Craig Rogers at the centre.

"Because of its memory effect, the nitinol can also help prevent the polymer matrix composite fragmenting." Their tests show that nitinol can reinforce composites for impacts up to 800mph. Aircraft could be safeguarded from runway debris, bird strikes and hold explosions, and cars could gain extra protection in crashes. The centre is working on combining threads of nitinol with its better-known relative Kevlar, the Du Pont fibre used in bullet-proof vests, in the hope of further improving personal body armour.

Damian Carrington

Worth Watching · Andrew Baxter

Microspheres offer one-shot vaccines

Researchers at Genentech, the US biotechnology company, hope to make vaccinations a one-shot affair with a time-release capsule, Marjorie Shaffer writes.

The capsule would release antigens, the proteins from bacteria and viruses used to invoke an immune reaction, mimicking the time interval between booster shots. The proteins would be encapsulated in microspheres and released as their tiny polymer bags degraded.

"We think the technology is applicable to any of the subunit protein vaccines, like tetanus and dipbtheria," says Jeffrey Cleland, a Genentecb researcher. It would be a big advantage in third world countries where repeat visits to a clinic are often difficult.

In animal tests, a single injection of microspheres released pulses of antigen, invoking a similar response as repeated immunisations.

Genentech: US, tel 4152251000; fax US, 4152252021

'Black box' snaps screen activity

The aviation industry has been using "black box" flight recorders for years, but now there is an equivalent for computers. DB Research of the UK has developed the DSA-25 digital screen archiver, which periodically takes a "snapshot" of the computer'a screen to monitor activity, recording up to two years of data on two optical disc drives.

Frand prevention is the most striking area of application, says DB founder Bill Mullarkey, although it could equally be used for protecting intellectnal copyright. It is designed around a compression algorithm developed by DB which is claimed to be five times more powerful than tha maximum standard available.

Premier Sales/DB Research: UK, tel (0)151 9320090; e-mail blackbox@psl.mersinet.co.uk

Fire blanket covers an entire house

Looking for a way to protect your bome from forest fires? Consider a giant fire-resistant hlanket, Gahriela Marcotti writes.

David Hitchcock, an Ohio-based inventor, has developed the Home Fire Shield, an enormous blanket that folds away neatly into a small box fitted into the roof of a building. It is connected to a computer linked to infrared and ultraviolet sensors located at the perimeter of the property. When the sensors detect high temperatures from one direction they report back to the computer which deploys the hlanket.

Weighted projectiles are launched from the roof of tha bouse, stretching the hlanket ont over the entire building. Hitchcock is looking for companies to develop and market his prototype.

Home Fire Shield: tel US 2169635494; http://www.catalog.com/conceive/wildfire; e-mail: djh1@ix.netcom.com

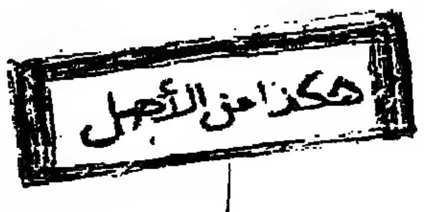
Exploring cause of language disorder

Between 3 per cent and 6 per cent of children who are otherwise unimpaired find it hard to speak, or to understand what is said. This is known as specific language disorder.

Research by Beverley Wright and colleagues at the University of California, San Francisco, indicates such children may have a hard time hearing the differences between successive speech sounds, according to *Nature*.

The problems are in separating consecutive brief sounds and discriminating short tones after, during and most prominently before a white noise "mask," especially when consecutive sounds contain similar frequencies.

Beverley Wright: tel US 8474912453; e-mail b-wright@nwu.edu



ARTS

Cinema/**Nigel Andrews**

Mortal coils

Hava you noticed how often the word "fear" crops up in criticism? "As bad as one's worst fears"; "Much better than one might have feared"; "Not, we fear, one of the great films"; and so on. Possibly critics use the word for a surrogate or make-believe frisson, since theirs is a largely fear-free occupation.

There is, though, one area of anxiety, if not of actual terror: the "What On Earth Is There To Write About" week. Every film is either bad or batty (*Anaconda*, *Ghosts From The Past*, *Moll Flanders*), except for the little coterie-pleaser from Middle Europe (*Kolya*) that has won that erratic, seldom auspicious award, the Best Foreign Film Oscar.

KOLYA
Jan Sverak

ANACONDA
Luis Llosa

GHOSTS FROM THE PAST
Rob Reiner

MOLL FLANDERS
Pen Densham

Tha critic thinks he should lead with *Kolya*. But then he fears that his newspaper will fall to the floor at a million breakfast tables; for the average marmalade-eater would surely prefer to read about *Anaconda* – I would – even though this snake drama that has stormed America, out-earning everything in sight, is of an almost incandescent silliness. It was made for a pittance and looks as if it cost less.

The critic finally decides to write about both films together since both have the same plot dynamic. In *Kolya* a human being (Zdenek Sverak) and in *Anaconda* several human beings (led by Jon Voight as a missionary turned reptile-hunter) are thrown into situations foreign to their experience, where they hava their lives and values overturned.

In *Anaconda* they have their lives ended, or most of them do. Hare a forty-foot snake romps about the Amazon to the distress of Ice Cube, Jennifer Lopez and Jonathan Hyde, members of a documentary movie team being taken upstream for his own dark purposes by Mr Voight. His villainous personality is indicated by a fixed Fu Manchu-like sneer and Peter Lorre vocalisings.

The snake, spiritedly brought to life by modelwork and computer graphics, performs a devil-ex-machina role virtually identical to thet of the title tot (Andrej Chalimon) in Jan Sverak's *Kolya*. He is a boy left to the grizzled fiftyisb Louks (played by the writer-director's father Zdenek), a Prague funeral mason and part-time cellist at cramations, after little Kolya's Russia-defecting mother has fled west after her marriage of convenience to Louka allowed ber to obtain Czech papers. (The time is 1988.)

Just as tha screen-annexing anaconda coils itself around its victim before rearing its head to give a last foud look at the suffocation process, so little Kolya taunts larger Louka with a new experience of love and emotional claustrophobia.

The boy's zombie-like cuteness acts as a foil to the older man's bachelor disarray and a frustration to his hitherto active sex life. Both characters charm us near to death, though the director keeps winsomeness at bay witb moments of bleak, if not black, comedy. No sooner has the boy acquired a cut-out toy theatre, for example, than be starts staging the only new-world ritual he has become familiar witb: cremations. We watch the paper bodies being slid into paper ovens by this rapt-eyed bequest of a paper marriage.

Back in Brazil it is climax time for the all-but-paper snake, whicb seems to bave grown. Was it *always* long enough to loop down the entire length of a waterfall, from its curled eyrie on a tree branch, and scoop up Mr Hyde? This happens sbortly after Hyde has thumped the objectionable Voight on the head with a golf club, pronouncing "Arsehole in one." Mr H dies, but Mr V survives to be eaten and then regurgitated by the snake, a fine scene illustrating what is allegedly a feature of anaconda behaviour.

To be bonest, I would not cross a county to see either film. But both outshine the earnest, drably rechristened *Ghosts From The Past*. in America this truth-based civil rigbts drama was called *Ghosts Of Mississippi*, which at least had colour and specificity. (What ghosts, pray, do not come from the past?)

Rob Reiner, more at bome in satire-edged comedy (*This Is Spinal Tap*, *When Harry Met Sally*), directs this flaccidly scripted Deep South reconstruction of the re-trial of wbite supremacist killer Byron De La Beckwith (James Woods). Beckwitb, an elderly, floridly-spoken fanatic from Jackson, Mississippi, was twice acquitted of the 1963 shooting of black equal-rights campaigner Medgar Evers before proving third time unlucky in 1994.

Alec Baldwin labours through the underwritten role of Beckwith's nemesis, assistant District Attorney Bobby DeLaughter. And although James Woods's Oscar-nominated Beckwitb has some cboice arias of southern dementia, his rhino-wrinkle prosthetics give bim an unnerving resemblance to the mad grandpa in *Texas Choinsaw Massacre*.

Since Beckwith declined to testify at his own trial, Reiner and screenwriter Lewis Colick bid to compensate for tbe loss of courtroom tension with a gent's-room confrontation between Woods and Baldwin. It seems meant as the movie's big scene but is its pboniest, full of sound, fury and faked eloquence. (All else apart, are defendants in American trials really allowed to jostle at the same loos, basins and band-dryers as their accusers?)

When not foolish, *Ghosts From The Past* is piously right-on. It is hard not to wince at moments such as Baldwin's response when his little daughter asks him to sing his usual bedtime song – "Maybe 'Dixie' isn't the right song" he says, spoonfeeding the film's liberal message for those with swallowing difficulty – or sucb as almost every appearance by Whoopi Goldberg. Playing Evers's widow and clutching offspring played hy Evers's own real-life children, the poor actress is required to all but wear s halo.

Moll Flanders, torpidly written and directed by Pen Densham, rounds out the week's grim toll. Robin Wright is our heroine, suffering through every woe that civilisation can offer from poverty and small pox to risibly updated 18th century dialogue. The film was "inspired by" the original novel by Daniel Defoe, who is unlikely to reciprocate the feeling.

Andrej Chalimon in the title role with Zdenek Sverak in 'Kolya', winner of the Best Foreign Film Oscar

Proms '97 announced

Tbe 1997 BBC Prom Season, which opens at the Royal Albert Hall on July 18 with Beethoven's *Missa Solemnis* conducted by Bernard Haitink, builds on the success of last year. All the 1996 innovations are back – the Prom in Hyde Park to coincide with the Last Night down the road at the RAH; the Junior Prom; and the Monday lunchtime chamber concerts, although these will be held at the Victoria & Albert Museum, not the Royal College of Art.

The main new davelopments are the first ever solo recital, by the young Russian pianist Evgeny Kissin, in the Albert Hall on August 10; and a repeat of each Prom on Radio 3 at 2 pm.

The featured composer is Bartók and the weekend devoted to one composer will be Britten. The anniversaries of Schnbert, Brahms and Mendelssohn will be celebrated with generous offerings of their work, in particular of their lesser performed music – for example, a Schubert comic opera, and cantatas hy Brahms and Mendelssohn.

Among the big events will be the first Britisb performance of Henze's one act opera *Venus and Adonis*; a performance of Honegger's *Joan of Arc at the Stake*, directed by Deborah Warner and starring Fiona Shaw; and the first complete performance at the Proms of Gilbert & Sullivan's *The Gondoliers*.

Visiting orchestras include the Dallas Sympbony, the Royal Concertgebouw and the Leipzig Gewandhaus. There will also be 30 premieres, inclnding seven BBC commissions and, in his attempt to widen the mnsical bonndaries Proms snpremo Nicholas Kenyon is inclnding work by Frank Zappa and a 70th birthday celebration for Johnny Dankwortb featuring Cleo Laine.

Last year the Proms managed 89 per cent capacity, and with half the seats being offered at uncbanged prices, and a new quarter season Prom ticket of 20 concerts for as little as £32 on offer, Proms 98 shonld be equally successful.

Antony Thorncroft

Theatre/**Ian Shuttleworth**

Wilde at face value

When one of the theatre's habitnés remarks at the curtain call, "Well, that was very Chichester," one knows the preceding two hours and more have not exactly broken new ground. Richard Cottrell's prodnction of *Lady Windermere's Fan* looks opulent, sounds, well, lond, and challenges no preconceptions whatever.

The tone is established hy Siri O'Neal's first aside in the opening minute: she moves to the front of the theatre's deeply-thrust stage and does not so much intimate to the audience as orate at it. Throughout the play, O'Neal does her level best not to appear jejune, bnt fails; her near-hysteria at the beginning of Act 3, in the rooms of her extra-marital suitor, Lord Darlington, even drew the occasional titter.

Cottrell directs the emotional content of Wilde's play – that morality may not be as immutabla as one believes – squarely, broadly and, for the most part, superficially; wben David Rintoul, as Darlington, delivers the classic line, "I can resist everything axcept temptation," ha accompanies it witb a gesture reminiscent of Pavarotti at the climax of an aria, a moment which encapsulates not only his over-poised, over-graceful performance, but most of the evening.

Googie Withers enjoys ber portrayal of the Duchess of Berwick, dropping to a booming baritone for her punchlines, but the most characteristic scene is Act 3's gathering of the gentlemen after a night at their club as they self-consciously swap epigrams.

Thanks to *Dynasty*, Stephania Beacham has built a fresh career as a *femme fatale* of a certain age and her rendition of the scandalous Mrs Erlynne is no exception. Beacham delivers her lines in an affected, languid drawl, somewhere between ont-dated stage performance and a bad impersonation of Katharine Hepburn. Even Hngh Durrant's stage design, with its diagonally-slashed Doric columns, overstates the matter. During one ultra-violet-lit scene change, the upholstery glows luminous.

This is not a production which brings the play to life in any meaningful sense; it presents the surface of tha work four-square without a hint of ever trying to penetrate any more deeply.

Ian Shuttleworth

Chichester Festival Theatre, until July 5 (01243-781312).

Theatre/**Alastair Macaulay**

Callas travestied

Music, not theatre, is the holy art. Maria Callas – the most famous singer-actress of all time, who died 20 years ago this year – believed that too. She was considerably more knowledgeable about, and interested in, Furtwängler's conducting of Beethoven symphonies than she was in Shakespeare. Alas, you would not guess that from *Master Class*, the 1995 Broadway play by Terrence McNally now reaching the West End. A sustained exercise in camp, it is in several senses a travesty of Callas and of her priorities.

Only once did Callas give master-classes, in New York in 1971, six years after ber last previous public performance. She spoke seldom, as the recordings show, of emotion or motivation; instead, she attended painstakingly to such matters as meticulous delivery of triplets and grace-notes, to the correct use of the chest register, and to clean entry into notes and of fluent portamento.

God, for Callas, is in the detail; and so, by the way, is drama. McNally's Callas, by contrast, talks like a martyred, solipsistic, and unmusical male bomosexual of the draggiest kind. What matters to this diva? The all-importance of feeling; ber sexual awakening witb a male partner (Onassis); and how sbe has suffered for being honest. True, Callas, from the time ber voice began to wane, did indeed become more and more like a female impersonator in ber studied attention to *haute couture* glamour and in her affected offstage behaviour; but talking of music always brought out ber most natural instincts and keenest intelligence.

McNally's Callas, however, is posey from first to last, and at times is far more like the aged and bizarre Marlene Dietrich or Mae West. Her monomaniacal bitch-goddess persona is also close to the Norma Desmond of *Sunset Boulevard*. Musical detail bothers this Callas not one jot. The nearest she comes to musical coaching is to cry, during a tenor aria, "Here it comes, the big tune! Go for it!"

She is full of bitchy put-downs, manipnlates her audience with the comic malice of Dame Edna Everage, and twice she enters into prolonged soliloquies which are melodramatically modelled upon the operatic mad scenes in which Callas specialised. Sex matters to her more than music; and, with a camp vulgarity which would have appalled Callas, she announces "An aria without a cabaletta is like sex without an orgasm". This is the second time I have seeo McNally's play, and it is the second time its distortion of Callas bas made me shake with rage.

There are, by the way, several inaccuracies. This Callas talks of interpolating a top F at the end of Act One of *Norma* (actually it was a top D), and sbe gasps "Great music always takes so much out of me!" after the tenor aria from Puccini's *Tosca* (s composer and opera neither of which the real Callas much admired, despite their usefulness to ber career). McNally grabs at every sensationalist aspect of Callas's life-story he can, including the much-disputed story that Onassis forced Callas to have an abortion. One of tbe students in this play accuses ber of encouraging them to ruin their voices as she had ruined hers ("You just want us to sing recklessly"): which, in this play, sounds justified – although nobody who listens to the tapes of Callas's master-classes could say she condones bad or dangerous singing in others.

Still, a play can be inaccurate and sensationalist and still be good. Not so *Master Class*. It bomes in only on the queenly decadence, excess and futility of Callas's career; and, in its obvious and manipulative methods, it is like a Lloyd Webber show with less (but better) music, fewer rhymes, and a lot less scenery. In London, it even has Patti LuPone, who bere is asked to talk through great music (instead of singing cbeap music, as in *Sunset Boulevard*). She brings the role more artistic seriousness than did its New York originator, Zoe Caldwell, and her features occasionally bring Callas to mind. I was grateful for her until, during Act Two, her slow and hammily vibrating drone sank to the level of the play. The production, directed by Leonard Foglia, is much like the Broadway original, but a few lines have been cbanged. Posiness predominates; this Callas has no daimon.

Queen's Theatre, W1.

Patti LuPone as Maria Callas in 'Master Class' Alastair Muir

INTERNATIONAL ARTS GUIDE

ANTWERP

OPERA
De Vlaamse Opera Tel: 32-3-2336808
● Così fan Tutte: by Mozart. Conducted by Lawrence Renes, performed by the Vlaamse Opera. Soloists Include Véronique Gens, Graciela Araya, Iain Paton and Urban Malmberg; May 10

■ BERLIN

OPERA
Staatsoper Unter den Linden Tel: 49-30-20354438
● *Der Freischütz*: by Weber. Conducted by Zubin Mehta, performed by the Staatsoper Unter den Linden. Soloists include Roman Trekel, Carola Höhn and Dorothea Röschmann; May 11, 14, 17, 19

■ BOLOGNA

CONCERT
Teatro Comunale di Bologna Tel: 39-51-529901
● Orchestra da Camera di Bologna: with pianists Katia and Marielle Labèque and flutist Andrea Griminelli perform works by Mozart and Saint-Saëns; May 12

■ COLOGNE

CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● Kölner Philharmoniker: with mezzo soprano Kathleen Kuhlmann, Flutist Holger Miller, oboist Klaus Kärcher and Gürzenich-Orchester perform works by Bach, Händel, Kummer, Rossini, Fürstenau and Montsalvatge. Soloists include mezzo soprano Kathleen Kuhlmann, Flutist Holger Miller, oboist Klaus Kärcher and English Horn-player Albrecht Bode; May 10

■ FLORENCE

OPERA
Teatro Comunale Tel: 39-55-211158
● Parsifal: by Wagner. Conducted by Semyon Bychkov, performed by tha Orchestra e Coro del Maggio Musicale Fiorentino. Soloists include Berndt Weikl, Andrea Silvestrelli and Poul Elming. Part of the 60th Maggio Musicale Fiorentino 1997; May 11

■ HAMBURG

CONCERT
Musikhalle Hamburg Tel: 49-40-346920
● London Symphony Orchestra: with conductor Sir Colin Davis and violinist Anne-Sophie Mutter perform works by Beethoven and Brahms; May 12

■ LONDON

EXHIBITION
Queens Gallery Tel: 44-171-9304832
● Views of Windsor - Watercolours by Thomas and Paul Sandby: collection of works by tha brothers Thomas and Paul Sandby, both important figures in the development of watercolour painting in England during the second half of the 18th century. The exhibition includes a number of Paul Sandby's best known views of Windsor Castle and the Home Park painted during the 1760s and 1770s and e selection of works by his brother, including watercolours that relate to his work as a landscape architect in Windsor Great Park; from May 9 to Jul 13

■ LUXEMBOURG

DANCE
Théâtre Municipal Tel: 352-470895
● *La Sylphide*: choreographed by Pierre Lacotte to music by Schneizhoeffer, performed by the Ballet National de Nancy et de Lorraine; May 9, 10

■ MADRID

CONCERT
Fundación Juan March Tel: 34-1-4354240
● Marta Maribona: the pianist performs works by Mozart and Schubert; May 10

EXHIBITION
Museo Nacional Centro de Arte Reina Sofia Tel: 34-1-4675062
● Eugenio D'Ors Critico de Arte: display tracing the developments of Spanish modern art throughout this century and the career of the Spanish art critic D'Ors. On display are works by artists including Torres Garciá, Picasso, Dali, Miró and Saura; to Sep 15

■ NEW YORK

EXHIBITION
MOMA - Museum of Modern Art, New York Tel: 1-212-708-9400
● Manuel Alvarez Bravo and Twentieth-Century Mexican Photography: exhibition featuring 175 photographs selected from all phases of Alvarez Bravo'a career, covering his formal experiments in the 1920s and later modernist works Inspired by Surrealism; to May 18
Whitney Museum of American Art Tel: 1-212-570-3600
● The 1997 Biennial Exhibition: the 1997 Biennial is the 69th in the series of Biennial exhibitions, first established by Museum founder Gertrude Vanderbilt Whitney in 1932. The Biennial is the Whitney'a signature exhibition and focuses on the most important developments in recent American art; to Jun 22

OPERA
Metropolitan Opera House Tel: 1-212-362-6000
● Rusalka: by Dvorák. Conducted by John Fiore, performed by the Metropolitan Opera. Soloists include Renée Fleming, Frances Ginzer and Dolore Zajick; May 10

■ PARIS

EXHIBITION
Fondation Cartier pour l'Art Contemporain Tel: 33-1 42 18 56 50
● Alain Diot: exhibition of recent paintings by the French artist, whose work explores perception of light by using greys and whites predominantly in his paintings; to May 18

OPERA
Théâtre National de l'Opéra - Opéra Garnier Tel: 33-1 42 66 50 22
● La Clemenza di Tito: by Mozart. Conducted by Armin Jordan, performed by the Orchestre et Choeurs de l'Opéra National de Paris. Soloists include Rainer Trost, Cynthia Lawrence and Christiane Schäfer; May 10

■ ROME

CONCERT
Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064
● Orchestra dell'Academia di Santa Cecilia: with conductor Ulf Schirmer and cellist Steven Isserlis perform works by Haydn and Nielsen; May 11, 12, 13

OPERA
Teatro dell' Opera di Rnma Tel: 39-6-481601
● Der Fliegende Holländer: by Wagner. Conducted by Jeffry Tate, performed by Teatro dell'Opera di Roma. Soloists include Susan Anthony, José van Dam and James O'Neil; May 10

■ ROTTERDAM

POP-MUSIC
Ahoy' Sportpaleis Tel: 31-10-4104204
● The Who : performance by the English rock group; May 11

■ STOCKHOLM

DANCE
Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300
● Mayerling: choreographed by Kenneth MacMillan to music by Liszt, performed by the Royal Swedish Ballet; May 9, 12

■ THESSALONIKI

EXHIBITION
Thessaloniki Cultural Capital '97 Tel: 30-31-867860-6
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Samuel Brittan

Beyond independence

After this week's bold monetary moves, the spotlight will shift to fiscal policy and new estimates of the UK public sector balance sheet

Only a few years ago a proposal to give the Bank of England operational independence would have been dismissed as outrageously reactionary – not only by the Labour party but by many Conservatives and most middle-of-the-road economists. John Major, for instance, was reluctant to take this etep because he did not relish being attacked for interest-rate decisions made by others.

Labour's new thinking on this subject has been an open secret for many months. Nevertheless the speed with which chancellor Gordon Brown has acted to make ths Bank of England "operationally independent" is both surprising and welcome. The government has basically gone for the New Zealand model of a central bank left free to pursue an inflation objective laid down by the finance minister. But it has followed US and German practice by setting up a collegiate system for monetary policy decisions instead of making tbe governor personally responsible.

As in Germany the Bank is to be committed to supporting the government's economic policy. But in contrast to Germany growth and employment objectives are specifically mentioned – subject to the overriding priority of the inflation objective. This comes as near as practical to laying out a guideline for growth of nominal gross domestic product, without committing the Bank to specific formulas.

Are there any snags? The new monetary framework is to be embodied in an act of parliament – hut what parliament does, parliament can undo. This is no idle threat in a country which lacks both the German tradition of sound money and the American tradition of the separation of powers. Anyone who really wants to entrench sound money as part of the British way of life should favour as a next step the absorption of the Bank of England into the projected European central bank. This will be not merely "operationally independent" but fully independent and accountable under a treaty and be part of a monetary union which will be difficult to unravel.

There will however be oceans of time to chew over the implications of this week's monetary changes. The next set of decisions facing the new government – which cannot be offloaded on the Bank of England – concern fiscal policy.

A welcome innovation here has come from the independent Netional Institute for Economic and Social Research. Its latest review carries a "fiecal report", which is to appear half-yearly, modelled on the Bank of England's Inflation Report which exhaustively examines everything relevant to monetary policy.

The fiscal report contains an estimate of the public sector balance sheet based on the national income Blue Book. Valuations are made of tangible assets, which inclnde everything from schools and hospitals to the government's remaining stake in the nationalised industries. On the other side are the public sector's net financial liabilities – mostly outstanding debt.

There was a massive fall in the net worth of the public sector from just under £50bn in 1990-91 to just under £11bn in the financial year just ended. There are four reasons why this net worth can fall. First, government debt can increase, as it did very heavily during and after the recession of the early 1990s. Second, assets may be sold to the private sector and then leased back. Third, profitable businesses may be sold off, as in privatisation. Fourth, public capital may have been allowed to decay: roads might have become potholed and buildings run down.

The public sector balance sheet cannot go on deteriorating indefinitely. If government debt accumulates, so does the interest burden. Matters are not quite ao clear-cnt if public sector assets run down. There is surely a difference between assets, such as the remaining government stake in the nationalised industries which generate revenue, and public buildings which usually do not.

An irresponsible new government, wishing to stir up hysteria, might want to turn this deterioration into a crisis. A sensible government, especially if it aims for two periods in office, would be very hesitant abont any such claim, which would in any case be rubbish. The net assets of the public sector are decidedly not those of UK plc. Most national assets are not owned by the government – and a rundown in the proportion which are is far from being an obvious calamity. The family silver remains even if it is not held by Big Brother.

Let me try to spell this out. Suppose the last government had taken my advice and handed privatisation shares "free" to all citizens (as has been done in some formar communist countries). Such disposals would have led to a much bigger rundown in the public sector balance sheet than we have seen. But in no sense would the nation have become bankrupt. UK citizens would have owned more of the national wealth individually and government officials would be holding less of it on their behalf.

What of the future? The institute's projection shows the pnblic sector balance sheet stabilising or even slightly improving to reach nearly 13 per cent of GDP by the end of the century. This assumes the summer Budget will raise not only £2½bn per annum from the promised windfall tax over the next two years to pay for special employment projects, but also another £2½bn to £3bn per annum by reducing the tax credit on dividend payments to 10 per cent.

The main reason for the balance eheet improvement, however, is that the market price of huildings is on a rising trend, relative to prices in general. This will increase the valne of council houses and other public sector structures – a relative price improvement that cannot go on for ever.

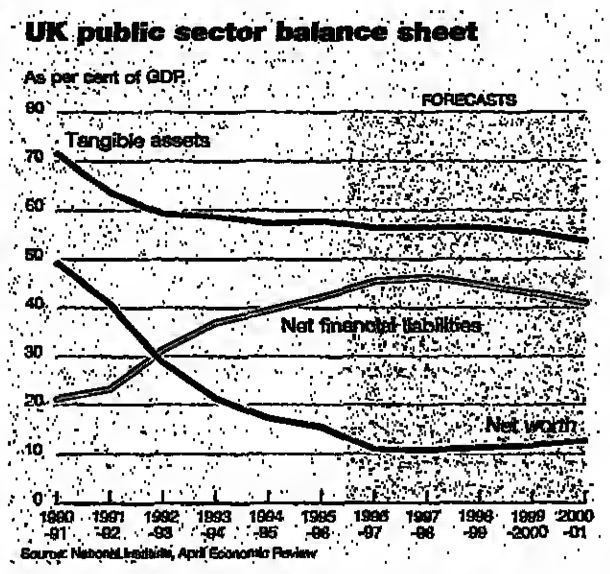
The institute's ultimate condition for stabilising the public sector balance sheet is a zero current budget deficit. In its own projections this deficit comes down from 2½ per cent of GDP now to ½ per cent in 2000-01. The institute presumably wants to make doubly sure by eliminating the deficit altogether in the new parliament – recommending further tax increases to achieve this. At this point ona should say: "Hold your horses."

The public sector balance sheet cannot be the only criterion of policy, if only because it involves pretty heroic estimates. And even withont the institute's suggested tax increases, the UK public sector finances face a prospect which any other European Union member would envy. The government deficit under the Maastricht definition (which is stricter than the UK public sector borrowing requirement) is expected to fall below 1 per cent of GDP by 1999 – the presumed first year of the monetary union. The UK government's debt ratio is projected to peak in the present fiscal year and fall below 50 per cent of GDP in 2000.

To achieve this, the tax burden was expected to creep up over the coming years under tha plans left by Kenneth Clarke, from 36 to 38 per cent of GDP. The windfall tax and the cutting of the dividend tax credit will add more than another ¼ a percentage point.

The uncertainties inherent in all projections, together with the buoyant state of the economy, might justify tax increases which removed distortions. They would not justify fresh increases simply to raise revenue. It would be piling Pelion on Ossa to raise the tax burden further still because of a dim threat that might never materialise.

UK public sector balance sheet



Source: National Institute, April Economic Review

BOOK REVIEW · Robin Renwick

ANATOMY OF A MIRACLE, by Patti Waldmeir
W.W. Norton, 303pp, $27.50

Rational explanation for African miracle

At midnight on February 1 1990, Mr F.W. De Klerk telephoned me to say that in the speech he would make at the opening of the South African parliament the next day, we would not be disappointed.

Neither we, nor the world, were disappointed. For he announced a constitutional revolution, unbanning the African National Congress and the South African Communist party, leading nine days later to the release of Mr Nelson Mandela.

In doing so, he confounded tha expectations of almost every western pundit. He also knew he was paving the way for his own loss of power.

Patti Waldmeir, the FT's bureau chief in South Africa between 1989 and 1994, returns more than once to the question: why did Mr De Klerk do this? For, as she points ont, the Afrikaners were under no military threat. They could have held ont for another decade.

And Mr De Klerk, at first blush, was a most unlikely agent of fundamental change. His brother, Mr Wimpie De Klerk, warned me he was far too conservative to be a good president, and was unimpressed when I disagreed.

Bnt F.W. knew Sonth Africa's problems could no longer be contained by imprisoning ever larger numbers of people and that there must be negotiations while there was still time. When one of his former mentors asked why he was abandoning the status quo, Mr De Klerk replied angrily it could be maintained only at an unacceptabla cost in lives.

In him the Afrikaners at last foond a wholly rational leader wbo could calculate the cost of a course bound to lead his country to destruction and leave his people worse off at the end of it.

Mr De Klerk did not enjoy handing over power. Yet, unlike Mr Mikhail Gorbachev in the Soviet Union, he never tried to stop halfway.

Waldmeir is unnecessarily polite about his predecessor, Mr P.W. Botha, who did more than anyone to turn the South African regime into a Latin American style junta – complete with death squads. There never was any chance of Mr Mandela being released under his irascible regime. Bnt F.W. and Mandela between them led South Africa away from the abyss.

This book is a brilliant, vivid account of this extraordinary transformation. But there is one name missing from the story – that of Ms Helen Suzman who, at the height of the apartheid regime, showed millions of black South Africans that some whites were prepared to stand and fight for the justice they were denied.

Having lived also in Ghana and Zambia, Waldmeir entitles her final chapter "Now for the hard part". For the post-independence history of Africa has been grim indeed.

In many countries the liberators turned into oppressors themselves. While it was fashionable to blame the colonial past, the reality is that most of the damage has been self-inflicted, and much of it perpetrated by leaders such as Nyerere and Kaunda who were idolised for a time by many in the west.

The new government has inherited horrendously difficult eocio-economic problems – including the wave of violent crime that has engulfed cities such as Johannesburg. Tolerance of opposition and press criticism will be the litmus tests of its commitment to democratic norms.

Mr Mandela *is* different. Far from clinging to power, he is determined to step down as president within two years. What an example to the rest of Africa.

But the great man deserves better than the uncritical adulation he generally receives. Waldmeir chronicles the costs of his failure to meet the Zulu leader Chief Buthelezi for nearly a year after his release from jail. As she points out, in the fight between the ANC and his Inkatha party, the faults were by no means only on one side.

Yet he must surely rank as the greatest son of Africa his continent has yet produced. Through 27 years in jail his thoughts were never of revenge, but of winning over his jailers. Once free, an astonished crowd in Soweto was told that they must all learn Afrikaans. His donning of the Springbok jersey during the 1995 rugby world cup brought tears from the most hardened of his opponents.

And, as for his technique, I have experienced it myself. On his release from jail, I found myself co-opted by him – just as his prison warders had been – and expected to act as his adviser, which I was honoured to do.

Mr Mandela will be succeeded by his highly competent deputy, Mr Thabo Mbeki. But he can never be replaced.

In Cape Town two weeks ago, I called again on him, Mr De Klerk and Chief Buthelezi and found them still at loggerheads with each other. If you are growing tired of politics, try reading Waldmeir's account of what the human spirit can achieve.

Sir Robin Renwick was UK ambassador to South Africa between 1987 and 1991. His account of these events, Unconventional Diplomacy, *was published by Macmillan on 3 April.*

Both books are available from FT Bookshop by ringing FreeCall 0500 500 635 (UK) or +44 181 324 5511 (outside the UK). Free p&p in UK

LETTERS TO THE EDITOR

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Opposition to proliferation of preferential trade is welcome

From Professor Jagdish Bhagwati and Professor Arvind Panagariya.

Sir, The article by Stephen Fidler and Nancy Dunne on "Slow track to Latin market" (May 5) presumes that the move to hemispheric free trade in the Americas by 2005 is obviously desirable and cites only those who share that view and lament the lack of progress towards that goal because of divisions over the renewal of fast track authority for trade initiatives in Congress.

But this presents a one-sided view of the matter. By now, there are many serious scholars of trade, all free traders, who openly question whether such regional trade agreements, which are inherently discriminatory, are desirable in the first place. For the many among us who oppose the further proliferation of preferential trade arrangements such as free trade agreements (FTAs), the refusal by the Asian members of Asia Pacific Economic Co-operation so far to convert it into an FTA, and the transformation of the original transatlantic Tafta proposal into e non-FTA, non-discriminatory initiative, have therefore been welcome developments.

And so is the slowing of the progress on the goal of FTAA (an FTA of the Americas), the last of the "big" FTA initiatives still remaining on the political agenda. Even if this is largely because of the divisions among Democrats and Republicans over the issue of linkage of trade treaties with labour and environmental demands, we are grateful for dividends from unexpected sources.

In fact, this provides an opportunity for Washington, and indeed the South American governments, to re-think the issue and to convert the original goal of free trade only for the Americas into a co-operative regional agreement instead that (like Apec) is not an FTA, and simultsneously to pursue trade liberalisation multilaterally, on e most favoured nation basis, at the World Trade Organisation. That is the model, also of President Kennedy's celebrated, hut premature, Alliance for Progress for South America: it pursued regionalism and objectives such as security and support of democracy without sacrificing non-discriminatory trade.

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Out of balance after interest rate rise

From Professor Willem H. Buiter.

Sir, It may be possible to rationalise Tuesday's interest rate boost as a pre-emptive strike by an untested new New Labour government anxious to convince sceptical financial markets that it has anti-inflationary bair on its chest. The net result, however, is that the monetary-fiscal policy mix has been further unbalanced in the direction of excessively tight money and excessively lax fiscal policy. Public spending cuts and/or tax increases now are urgently required to achieve lower real interest rates and a more competitive real exchange rate.

Granting operational control over interest rates to the Bank of England undoubtedly boosts the government's reputation for anti-inflationary rectitude. It also represents a significant step in the process of qualifying the UK for early full participation in Emu.

The bad news is that the prevailing interpretation of central bank independence appears to include the non-co-ordination of fiscal and monetary policies. Unless the anthorities recognise that greater central bank independence is fully consistent with the co-ordinated pursuit of an appropriate monetary-fiscal policy mix, macroeconomic performance could worsen.

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Freedom must be information on Internet

From Mr David Anderson.

Sir, The draft UK freedom of information bill should include provision requiring both government and quangos to be pro-active in publishing information at designated Internet sites and not be merely reactive in responding to public requests for information.

In the case of quangos, offers for tenders, grants and loans should be publicised well in advance on the Internet in order to give local small businesses a chance to apply. Ideally, quangos should impose the same requirements on other organisations which they fund with public money.

It is essential for the success of the new bill that it imposes full use of information technology on public bodies.

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Key link to future as we know it

From Mr John Rees.

Sir, As a Welshman and citizen of the UK living in the US for 25 years, I was deeply interested in last week's election, probably the last in the UK for this millennium. Knowing that there would not be much coverage of the election on network TV here, I was delighted by the fact that C-SPAN was carrying BBC election coverage live to my part of the American Sunbelt.

While my NQ (nostalgia quotient) was very high, the civility of the election and the orderly nature of the transition made me proud of my British heritage. My thoughts, however, were of the future.

I can see a rejuvenation of the special relationship between the UK and the US under the new prime minister, Tony Blair, and President Bill Clinton. Much can be achieved in the future. Britain's role in Europe is obviously important today in a way that was not so 25 years ago.

But the transatlantic link will always be important. Samuel Huntington, the political scientist, tells us that a clash of civilisations may be imminent as the English language and liberal democracy decline in a global context. As a result, the future of western civilisation *as we know it* will depend much on the leadership of America, which in turn depends much on its relationship with the UK as America's best link to Europe.

In the traditions of my fellow countrymen Lloyd George, Aneurin Bevan, Roy Jenkins and Neil Kinnock, I hope that both Tony Blair and President Bill Clinton will act on the most precious words ever spoken in the English language: those of Martin Luther King, *I have a dream.*

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Labour's Euro dawn

What a difference a landslide makes. A cloud of euphoric goodwill surrounded the British foreign secretary yesterday on his visit to Paris and Bonn. Suddenly, British diplomats are spared the odium of representing *ministers who either cannot* or will not make concessions on anything, while their new Labour masters are liberated from the fear that any friendly noise they make about Europe will be used to rob them of their election victory.

So Mr Robin Cook was able to cross the Channel bearing gifts. The detail of his negotiating position on the revision of the Maastricht treaty remains fuzzy, as a negotiating position needs to be. But the strategy is clear. Instead of threatening to block any agreement at next month's Amsterdam summit, Mr Cook expressed his determination to reach one. By stressing a general attitude of co-operation and flexibility he hopes to gain understanding from Britain'a partners on those points which even for the new government are not negotiable.

Foremost among these is the Schengen accord, which touches many of the same justice and home affairs issues as the EU's so far largely notional "third pillar": co-operation hatween national police forces, immigration and asylum policy, and the policing of the common external border. Thirteen of the EU's 15 members have signed (though only seven have so far fully implemented) the accord, and now wish to incorporate it into the union treaty.

Fine, says Mr Cook, but only if the right of an island nation to maintain frontier controls on people coming from within as well as outside the EU is written in, as a *permanent exemption* rather than a temporary opt-out. (Willy-nilly, that will apply also to the member state with which John Bull shares his other island: the Irish Republic may perhaps enter Emu on its own, but is ohliged by sheer convenience to remain to passport union with the UK.)

If he *gets his way on this, it* seems Mr Cook may not be too fastidious about allowing the European parliament and court of justice some role in third pillar issues, which the previous British government was determined to preserve from the merest hint of supranationalism. He has also made it clear he *will not expect any concessions* on fish quotas to be written into the treaty, so long es by June he has some form of undertaking that the issue will ha addressed. Spaniards will inspect the small print of any such pledge with extreme suspicion. But if Mr Cook can keep the enphoria humming it may be *Spain, for a change,* that finds itself in Europe's doghouse.

Wrong option

The efficacy of the German and Japanese models of capitalism is everywhere being questioned. Bnt will tha introduction of *stock options help resolve their* respective difficulties in corporate governance? Clearly some powerful folk think so. Last year Deutsche Bank and Daimler-Benz introduced stock option schemes for their senior management. And now the Japanese parliament is removing longstanding obstacles to the use of stock options.

Part of the diagnosis is undoubtedly right. These are *systems in which the shareholder* has traditionally been accorded low priority. The imposition of an enduring penalty on equity ownership was sustainable while populations were young and only small parts of the two countries' economies were exposed to international trade and capital flows. But in today's more liberal global environment, it leads to economic distortions and, in Japan, to *financial* instability.

The ability of the banks to maintain close relations with their corporate clients and play a central role in addressing managerial failure has been weakened, thanks to shrinkage in the amount of borrowing in corporate balance sheets. That said, it is far from clear that giving US-style stock options to German and Japanese managers will improve things.

In theory, stock optiona should encourage managers to identify tbeir interests more closely with those of shareholders. *Yet there is little correlation* in the English-speaking economies between good managerial performance and the grant of generous stock options. Indeed, the legitimacy of the wealth creation process bas been tarnisbed as a result of inflationary awards *in* the boardroom. The ever-increasing earnings differential between *the* shopfloor *and* the board has become a demoralising influence on the workforce.

Much of the strength of the German and Japanese forms of capitalism derives from a sense of solidarity and commitment in the workplace. The use of stock options need not undermine this ethos if the schemes are well designed. Yet new options plans at Deutsche Bank and Daimler-Benz are not availahle to all employees. Tbe terms offer management a one-way het. And the options can be exercised on the basis of performance measured against the return on government bonds.

It remains to be seen whether the Japanese opt for a less obviously flawed approach. But there is a risk that in their present self-critical mood, the Germans and Japanese will take *aboard the less attractive* features of Anglo-American capitalism instead of the best.

Tory blues

The decisions before the British Conservative party following its defeat last week may be even more difficult than those that confronted Labour after its trouncing in the 1983 election. Voters then empbatically rejected Labour's hrand of socialism. Mr Michael Foot, the party's leader, predicted gloomily that if he lost, "the old famous socialist stream could perish in sectarian bogs and sands". But defeat also gave modernisers *a clear idea of* what new direction to take, even though it took 12 years and three *more leaders* for them to reap the rewards.

For the Tories, now starting the *painful* process of choosing a new leader, the lesson from last week is, curiously, less clear. They were, and remain, fatally divided on Europe. But voters showed that, even if they did have serious reservations about deeper European integration, this was far from their main preoccupation.

Nor is there an unequivocal message for Conservatives on *the economy*. If Labour really does stick to its fiscal and monetary promises, the Tories' next *leader* may find it as hard to score opposition points on the economy as to secure unity on Europe.

To complicate matters further, there is the difficulty that the parliamentary party may not be a legitimate electoral college. Tory MPs are few in the English cities, and completely absent in Wales and Scotland. There must thus *be serious* doubt as to whether those that remain can alect a new leader who can be assured of the whole party's support. A widening of tha franchise deserves consideration before the leadership election.

Five of the six candidates will oppose membership of a single *European currency*, perhaps in the hope that this will be the way towards unity and distinctiveness. But any new leader will find this an issue of extreme danger, beset with those idsological bogs and streams which the electorate so dislikes.

Several candidates have talked of the need to learn from Labour's organisational skills. They might also note the way in which Mr Tony Blair, the new prime minister, pushed aside socialist disputes with his robust pragmatism.

For the Tories, this may be a protracted process. To start it, they need a leader who *can* convince demoralised MPs and activists that sovereignty is not a religious absolute, tbat national interest can differ from nationalism and that doing deals with *foreigners is* no treason.

By debating the balance of advantages, *they* might then be ahle to mount a credible and perhaps even a hroadly unified *opposition.* Otherwise, they will he in danger once again of abouting into the wind.

A cultural exchange

ICI's character will be transformed with the takeover of Unilever's speciality chemicals business, says **Tony Jackson**

For a one-time monolith of Britisb industry, Imperial Chemical Industries has developed a remarkable *capacity to surprise. Just four* years ago, it spun off the hulk of tbe business under a different name, Zeneca.

Now comes the next novelty: a kind of reverse takeover of the remainder, disguised as the £4.9bn ($8hn) purchase of Unilever's speciality chemical business.

Consider the numbers. The £4.9bn purchase price is almost the same as ICI's market value. But ICI *is to sell off* some 60 per cent of itself – its bulk chemicals businesses worth £3bn – to pay for it. In value terms, the Unilever business will form some 70 per cent of the new entity.

And Mr Charles Miller Smith, ICI's chief executive, was until two years ago a Unilever man. Of his 30 years with Unilever, 11 *were spent in the chemicals division* be bas just hought.

The culture of the two companies could scarcely be more different. Unilever'a is focused on marketing, ICI's on production.

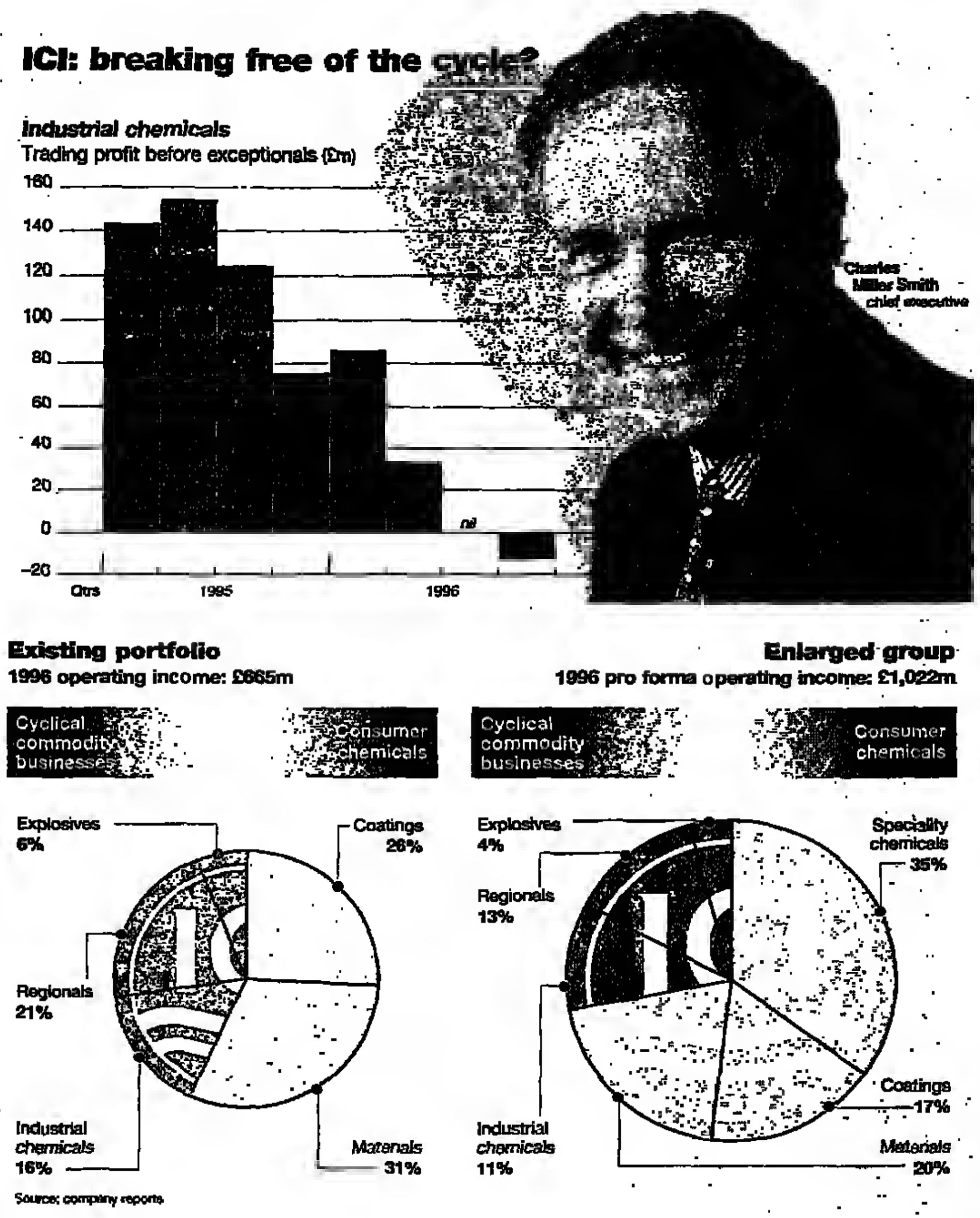
Unilever's business is characterised by steady growth, ICI'a by cyclical swings. Unilever Is expert at acquisitions. ICI is *sometimes clumsy – a fact that* gives added point to the question of who is taking over whom.

For Mr Miller Smith, the trick is to rombine the best of both cultures. Take acquisitions, for example: "Unilever grows largely by acquisitions, since its organic growth is slow," he says. "I've built my career understanding bow that happens." In the past two years, be adds, ICI has made a series of acquisitions in the paint industry, all "stunningly successful".

Or take production. Unilever's chemical plants, according to ICI, are five years behind ICI's in technology.

"You'd expect that," says Mr Miller Smith. "The nature of the [Unilever chemical] businesses is locked np in marketing, focus on *the customer and managing* parts of the supply chain.

"ICI has to be obsessed with the particular piece of the supply chain called manufacturing, so we can add value there. It's a question of priorities."



Unilever's sales and marketing skills are correspondingly ahead. *Sir Ronald Hampel*, ICI's chairman, recalls tbat his first joh with the company 40 years ago was as sales control clerk, rationing the supply of goods to customers. "If something was the wrong shape," he says, "it was up to the customer to change it."

As for the *cyclical* nature of ICI's bustoess, outsiders have charged that the wild swings inherent to the business tend to create a culture of excuses. When profits slump, it is the fault of the cycle.

Mr Miller Smith does not wholly deny this. But, he points out, *Mr James Kennedy*, head of the Unilever chemicals bustoess, will join the ICI board.

"If you ask Kennedy his philosophy on budgets," he says, "he says he is not very keen on them. He just wants increased sales and profits every year. Compared to a cyclical business, that gives you a quite different set of bebaviour patterns."

So what will be left of the ICI culture? Even its expertise in large-scale manufacturing, after all, will mostly depart with the £3bn disposal of its hulk chemicals husinesses. What else will be worth retaining?

"As an outsider to the culture," Mr Miller Smith says, "I would argue the reason it deserves to aurvive is a gutsy determination to win when the chips are down.

"Second, the creative grain running through ICI has to do with science and technology. We mustn't lose thet."

The new culture, be argues, will be an amalgam. Millbank, ICI's grand and venerable London headquarters, will lose its English character. It will receive an infusion of "tough Americans and gritty Dutch" *from the* Unilever businesses.

And there will be more emphasis on the customer. At Unilever's equally imposing London headquarters, the foyer is lined witb displays of detergents and frozen *food.*

"When you come into Millbank in a year's time," Mr Miller Smith says, "it should be full of product and customers, and events to hring them together."

This is all very well. But corporate history is littered with cultural collisions that did not work. Why sbould this one be *different?*

Several reasons, says Sir Ronald. Tbe new ICI will be a meritocracy, promoting young execntives from both sides wbo are able to change and adapt. It will also be even-handed at the top. "Don't underestimate the power of the message in putting Kennedy on the board."

But in the end, it seems, ICI's ace in the bole is Mr Miller Smith.

"With Charles," *Sir Ronald* says, "it's oot a question of making assumptions ahout what we're buying. It's a matter of knowledge."

Bulk of the problem

Jenny Luesby on the reasons for yesterday's move

ICI yesterday delivered its verdict on Europe's bulk cbemicals Indostry: the future does not look good. In a notoriously cyclical husiness, profitability has been savaged hy *fierce competition* – mainly from the Far East.

Britain's leading manufacturer of indnstrial chemicals has found a solntion. The injection of a £4.9bn consumer chemicals husiness will free it to sell off £3bn of industrial chemicals businesses, without disappearing off the corporate map.

But this revolntionary strategy only emphasises the scale of the crisis facing Europe's commodity chemicals industry.

Sir Ronald Hampel, chairman of ICI, says the present restructuring in the sector in Europe is akin to the experiences more than a decade ago in tha UK's engineering, shipbuilding, textiles and coal industries. The UK barely maintains a presence in these sectors now.

Likewise, says Sir Ronald, "hulk chemicals are going to continue to be made in Europe. But the balance of prodnction will shift to Asia."

This does not just reflect the different rate of growth in the region, he says. It is also the result of "a different attitude to finances and returns".

Asian prodncers are now cultivating commodity chemicals businesses in much the same way *that ICI once reared* its former pharmacenticals husiness, now spun off as Zeneca. They are willing to sustain losses in order to gain a foothold.

The effect is devastating for the world's established prodncers. And ICI has not been slow to recognise tbis threat – doing more than most of its peers to build np production *sites in* Asia.

For example, in PTA, the polyester raw material where it bas the technology to produce at the lowest cost, it has hnilt plants in Taiwan and Pakistan.

Bnt even this Asian presence has failed to protect it. A glnt of polyester as rival prodncers raced to expand last year knocked ICI's profits hy an estimated 20 per cent.

The group now plans to get out of polyester with a deal – probahly an alliance with a fellow producer – little more *than weeks* away.

Similarly for titanium dioxide, the white pigment used in nearly all paints and plastics. ICI is the world's second largest producer, hnt its profitahility bas been undermined hy successive waves of oversupply in the sector. This prompted the gronp's decision in *February to sell the husiness.*

At the time it said it hoped to raise £700m by floating its subsldiary Tioxide within 18 months. Corporate financiers were sceptical. Yesterday, the gronp said talks had since begun, aimed at selling the husiness directly to one of its competitors.

The company also appears close to a clever exit from explosives, another of its low-margin and difficult husinesses, through an asset swap. The gronp hopes to pass its global explosives business *to its Australian subsidiary* in return for the latter's paints husiness. It will then sell its Anstralian subsidiary to raise more than £1bn.

Also on the hlock as ICI seeks to raise £3hn over three years are the rest of its fertilisers business and its chlorine business, both sited predominantly in the *UK.*

At the time of its demerger from Zeneca, ICI promised it would look radically different within five years. The mood at the group's Millbank headquarters was euphoric yesterday as it delivered on that promise.

The new ICI will be a company withont a peer in Europe, says Sir Ronald. For its former rivals, stuck in cyclical commodity sectors, this is a painful truth.

Where possible, these companies have already followed ICI's first "big solntion" by demerging their pharmacenticals and chemicals bnsinesses. Many would also like to get ont of cyclical commodity chemicals, hnt there is hardly a quene of bnyers.

The expansion by Asian chemical *producers may yet stretch to* buying up established European businesses. Chemical-minded oil companies might also pick np some of the weaker businesses.

But the opportunities for stepping rapidly into speciality cbemicals, or some otber new field of activity, are sparse. Thus, even if a sell-off of bulk chemicals were possible, acquiring a replacement husiness might not be.

Against this background, ICI may be one of very few large chemical companies in Europe to rescne itself.

OBSERVER

Turkey's Moody Blues

■ Moody's, the Wall Street *rating agency*, must be quaking in its boots.

Turkey's economy minister Ufuk Soylemez is writing a "warning letter" after the agency had the audacity to criticise Turkey's economy in its annual report on the country's banking system.

It accused Turkish governments of repeatedly failing "to come to grips with the structural causes of high *fiscal deficits, inefficient* public enterprises, a bankrupt social security system and a *narrow tax base*".

Soylemez finds it highly suspicious that the report should have come from Moody's regional office in Limassol, Cyprus – no friend of Turkey which occupies the northern part of the island.

He claims the offending document was "written by remote control", presumably by Turkey's Greek enemies, and vows to put Moody's right on "all their errers and omissions".

Other rating agencies have also become punchbags for Turkish politicians. In January, after Standard & Poor's cut Turkey's rating, another minister vowed that the agency would "definitely not get away with this" and demanded to know who was paying it to downgrade Turkey's rating and why.

The government's line *remains consistent* – rating agencies fail to perceive the true dynamism of Turkey's economy, which goes from strength to strength. Is that clear?

Short break

■ Marcelino Oreja, the loquacious Spanish commissioner in Brussels, must be *praying* that *EU leaders* wrap up a Maastricht II treaty at next month's summit in *Amsterdam.*

For the past 15 months, Oreja has been taking part in negotiations on the future of the Union in the so-called IGC, ably supported by his two advisers Michel Petite and Nigel Evans.

But by a strange quirk of fortune, both officials are heading to Boston for extended sabbaticals, Petite to the Centre for International Affairs at Harvard and Evans to the Fletcher School of Diplomacy.

Petite, a cerebral figure who made his reputation as an adviser to Jacques Delors, the former presideot of the Commission, seems determined to leave Brussels on time.

He lost out narrowly on a promotion to director-general working for Sir Leon Brittan, the EU trade commissioner. And although he has been mentioned as a possible head of the 100-plus Commission task force on enlargement, the job is more likely to go to François Lamoureux, his French colleague. Taking time out in the US looks a good way to avoid a post-Maastricht move sideways.

Evans is also said to be keen to clear his head after the mind-numbing IGC negotiations. One of the wittier Eurocrats in *town, he is one of the few* people to be able to cut through Brussels jargon whether in English or French.

This has never been Oreja's great strength, despite his mastery of the detail of the negotiations.

No Oskars

■ New Labour's victory has left a hitter aftertaste for keen party-goer Oskar Lafontaine, the leader of Germany's Social Democratic Party.

In the post-poll euphoria of last Friday, his office rushed out a statement saying that fun loving Oskar and his entourage had accepted an invitation to a Labour celebration party in London this coming weekend at which he would meet Tony Blair.

Sadly, the invitation turns out to have been a hoax perpetrated by a smooth talking, English-speaking prankster who *called SPD headquarters* in *Bonn* posing as a member of the jamboree's organising committee.

After some belated due diligence, the SPD has issued a rueful press release, headed "much ado about nothing", noting that Labour's celebrations were beld on *election night and* acknowledging that it fell for a "new variety of black humour".

New Labour, new humour. Whatever next?

Cyber gold

■ They think it's all over . . . it is now. Now that the "world's biggest gold deposit" in Indonesia has turned out to be a figment of virtual reality, Bre-X Minerals has decided it no longer needs to promote its prospects over the Internet.

The Canadian exploration company has pulled the plug on its web site, which had carried a priceless trove of photos from Borneo and a selection of analysts' reports and press comments judiciously chosen for their optimistic tenor. "It's no longer relevant", Bre-X explained in Calgary.

The Financial Times

100 years ago

South African Railways
The proposal to hold a railway conference to consider Johannesburg's demands for the reduction of *railway rates, transit* dues and Customs dues on goods for the Transvaal from Maritime States has fallen through. There has been a lot of talk, a lot of correspondence, a lot of cheap profession of *sympathy with* the Rand and its hurdens, but the end of it all is that nothing is to be done. The Cape, which originally proposed the Conference, is anxious to do what it can in the matter, but Natal and the Free State hold aloof.

50 years ago

Portugal's Car Imports
Portugal imported more than twice the number of motor-cars from the United Kingdom than from any other country last year. Of the total of 4,326 passenger cars imported into the country, 2,333 were British, the United States being the second largest supplier with 1,008 cars. At Oporto's motor-car and aircraft show 18 of the 44 exhibitors are British. The car exhibition, claimed to be bigger than tha recent Paris show, has a cinema specially installed by the British *Information Services.*

FINANCIAL TIMES
Thursday May 8 1997

Japan is set to clear way for stock options

Change could shift corporate focus from sales to share prices

By Gillian Tett in Tokyo

Japan's parliament is poised to pass legislation today that for the first time would permit companies to offer stock options to employees. An important parliamentary committee threw its support behind the scheme yesterday.

Stock options are, in effect, banned under Japan's current commercial code, but parliament's likely backing for legal changes approved by its judicial affairs committee is expected to prompt several leading Japanese companies to unveil stock option schemes in coming weeks.

Traditionally, sales performance has been the key determinant of Japanese managers' pay, but the likely introduction of stock options, a common executive perk with US and UK companies, could refocus corporate Japan's attention on share prices.

Japanese companies rarely pay the same degree of attention as US counterparts to share price levels because the bulk of their shares are held by friendly business partners – making predatory threats rare.

Daiwa this week became one of the first of the big securities companies to indicate its interest in stock options for employees. It said it would ask shareholders to approve a scheme next month. Its shares rose Y20 (15 cents) yesterday to close at Y900, partly because of this, analysts said.

Last month shares in Toyota rose after the car manufacturer hinted it was considering a share option scheme.

Mr Masaya Miyoshi, director general of the Keidanren, Japan's employers' federation, yesterday suggested that about a dozen leading companies might indicate their support for the schemes during the course of the summer. "These will probably be the big well-known names," he said.

Nevertheless, it remains unclear whether the big companies' interest will be matched by smaller Japanese groups, partly because the tax implications of stock options remain uncertain. The Keidanren is stepping up its lobbying for broader changes in the tax laws to ensure that companies are not penalised if they introduce stock options. "The tax question will be very important," Mr Miyoshi said.

Stock option schemes offer employees and executives the chance to buy shares at a fixed price within a certain period. They have long been popular in the UK and US because they encourage managers to take an interest in the performance of the company, as reflected in the share price.

Some Japanese companies have circumvented current law by issuing bonds with warrants – which give a right to purchase shares at a preferential prices – then buying in the warrants and issuing them to executives.

Editorial Comment, Page 13

Switzerland aided Nazi war effort, says US report

By Bruce Clark in Washington and William Hall in Zurich

Switzerland and other neutral nations boosted the Nazi war machine by accepting looted gold and trading with Germany, according to a US government report released yesterday.

The keenly awaited report, which follows the most intensive investigation of documents in the US national archives ever undertaken, deplores the behaviour of neutral countries during and immediately after the war.

But the study, launched under pressure from Jewish groups, which have threatened to boycott Swiss banks unless they acknowledge their wartime role, finds fault with the US and its allies.

Mr Flavio Cotti, Switzerland's foreign minister, said the report was an "important contribution" to the investigations into the period.

The fact that Switzerland and other neutral states "pursued vigorous trade with the Third Reich had the clear effect of supporting and prolonging Nazi Germany's capacity to wage war," said Mr Stuart Eizenstat, who co-ordinated the study by 11 US government agencies.

The subject of the report is described as "one of the greatest thefts by a government in history" - the confiscation by Nazi Germany of $580m worth of gold from central banks in the countries it occupied, plus undetermined amounts stolen from individuals.

In March 1945, only days after promising the Allies to freeze German assets and stop trading in German gold, the Swiss government made an agreement with the German central bank that reversed this pledge, the report finds.

In negotiations after the war, the Swiss government's stance was "inexplicable" and "obdurate", reflecting its "unwillingness to embrace allied proposals to turn German assets ... to the benefit of ravaged Europe and stateless victims of the Holocaust".

Other neutral countries, such as Spain, Portugal and Turkey, were also unhelpful in post-war negotiations, although Sweden was co-operative, the report says.

Swiss authorities do not believe there is enough evidence to warrant allegations that the Swiss National Bank bought gold from Germany which contained gold melted down from Holocaust victims.

Mr Cotti said that if the evidence was true then it was "grave news of the most shocking nature".

Allies mixed up 'victims' gold', Page 2

Cook seeks new start

Continued from Page 1

UK's presidency of the EU which begins next January.

Mr Cook's determination to forge closer ties appeared almost too much for Mr Kinkel, who shied away from endorsing the idea of a triangular relationship, underlining that all three states had important roles to play in the EU.

But he was clearly delighted at the new start and stressed Bonn had a "vital interest in good relations" with the UK.

Thomson auction

Continued from Page 1

be a loan, and £165m will be an investment in bonds which Lagardère will issue to finance its bid.

However, government officials said that neither bid for Thomson would be examined until after the final round of the French parliamentary elections on June 1. The current rightwing government is committed to carrying through the privatisation, but the opposition Socialists have said they will stop the sale if they win the election.

The contenders for Thomson also revealed some of the financing plans for their bids. Lagardère said if it won the defence company, it would pay for it partly through a FFr5bn ($860m) bond issue, convertible within a year into cash and Thomson-CSF shares.

Beijing may let companies issue bonds overseas

By James Harding in Shanghai

China may allow large state-owned enterprises to issue bonds on international markets in a move to help finance the reform of state sector companies into modern, commercial businesses.

Foreigners have limited access to investments in China's giant industrial enterprises, as the small number of corporate bond issues has been restricted to domestic buyers.

Authorities in Beijing may now relax the rules to allow leading state-owned companies to issue corporate bonds overseas, offering an opportunity to international investors keen to harness China's economic growth. As part of the transition to a market economy, the government announced last month that some top industrial enterprises would be able to issue convertible bonds for domestic investors, a modest step towards privatisation.

China's cautious reformers are keen to tap foreign sources of funds, but without diluting Chinese ownership of flagship corporations. International bond issues answer the urgent need for capital but maintain control in Chinese hands.

The proposals being considered by officials at the State Planning Commission would enable only leading industrial companies with a good record of debt repayment, profitability and asset structure to issue international bonds.

An article yesterday in the China Daily, the official newspaper, confirmed that Beijing "will gradually give state firms the right to issue foreign bonds", but gave no timetable for reform nor any indication of the enterprises which would be entitled to approach foreign investors.

Western bankers in Beijing expect Chinese corporate bond issues would be welcomed enthusiastically by foreign investors. A representative of Merrill Lynch, the US bank, said: "There is a growing demand for quality Chinese credits. If they [the companies issuing bonds] are in strong shape financially, they will be very well received."

Under existing regulations, a small number of financial institutions has been authorised to issue debt overseas, raising $18.7bn since 1982.

Some of the money has been redirected into state enterprises, but the companies have been barred from approaching international markets directly. Weighed down by a legacy of inefficient management and poor financial controls, they now require substantial sums to finance fundamental restructuring.

Complex loan, Page 22

THE LEX COLUMN

Starchy diet

When Imperial Chemical Industries spun off Zeneca four years ago it did its shareholders a good turn but ripped the backbone out of its own business. Yesterday's £4.9bn ($7.9bn) purchase of Unilever's speciality chemicals division puts it back again. With steady, high-margin earners like National Starch onboard, a suitably stiffened ICI will be better placed to stand up to the gales of the bulk chemical cycle.

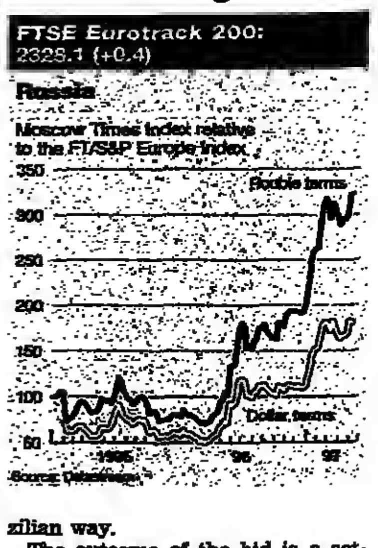
For such a strategic acquisition, ICI is paying a very strategic price. Assuming revenue growth of 8 per cent, steady margins and cost savings of perhaps £30m, the acquired businesses will produce after-tax free cash flow of around £280m in their first full year – a return of just 5¾ per cent on the £4.9bn price tag. That figure falls well short of ICI's own weighted average cost of capital (WACC), even allowing for the fact that, by funding the acquisition entirely with cheaper debt, the group's WACC drops from 11 per cent to around 9 per cent.

The question is whether ICI can close this gap in other ways. Under a new parent, the acquired businesses should be able to increase sales to Unilever rivals like Procter & Gamble. They should also bring much-needed marketing flair and a more international culture to old ICI – a transformation by which Mr Charles Miller Smith, ICI's chief executive and an ex-Unilever man, sets great store. And the group could unlock significant value through its £3bn disposal programme, by selling poorly-performing bulk chemicals businesses. While the numbers suggest that ICI has overpaid, having taken such a bold step the management deserve a chance to make their case.

CVRD

President Fernando Henrique Cardoso of Brazil was yesterday hailing the success of the part privatisation of CVRD, the world's largest iron ore producer. Up to a point he is right. After all, the 20 per cent premium over the floor price paid by CSN, the winning consortium, was at the top end of expectations. But beyond that, there is less to crow about. For a start, the defeated Votorantim/Anglo American consortium looked better organised and equipped to extract value from CVRD. And the chaotic progress of the whole bid has hardly been an inspiring advertisement for privatisation the Brazilian way.

FTSE Eurotrack 200: 2328.1 (+0.4)



The outcome of the bid is a setback for Anglo American – and comes uncomfortably soon after it saw its plans with Lonrho derailed by the European Commission. Its Management will be keen to put an early end to this losing streak. And they will justifiably regret losing access to the blue-sky mining potential in the north of Brazil, especially if, as looks possible, Anglo American's South African rival Gencor manages to sneak in the back door.

But shareholders should not fret. Given the political constraints on restructuring CVRD, it would be difficult to earn back the 20 per cent premium. And most will not need reminding of Independence Mining, the US gold operation for which Anglo's offshore arm, Minorco – also part of the defeated consortium – paid well over the odds. The corporate halo may be looking a bit tarnished, but investors should be happy with an honourable defeat rather than a foolish success.

Russia

There is a comforting illusion among foreign investors in Russia that the tatty corporate governance regime will mend itself. Russia's corporate bosses are so tantalised by raising capital abroad that they will increasingly play the shareholders' game. Foreign money is the only sizeable pool of capital available to most Russian companies. Moreover, a fast and dirty privatisation programme has allowed Russia's managers to grab big shareholdings in their enterprises. That most powerful motive – greed – will surely prevail. Raising their company's share price by reinvesting will seem more tempting than diverting money out the backdoor.

But if any lesson can be drawn from Russia's past it is that practice diverges from theory. The inevitable march of history invariably disintegrates into a random shuffle. There is now an urgent need for the government to give the capitalist transformation a shove by shaping the development of the market.

A fair tax regime would encourage companies to disclose rather than conceal their profits. A transparent judicial system would bolster investors' confidence. And a securities commission with powers to launch criminal prosecutions would deter bad behaviour. Russia's market ideologues, currently in the ascendant in government, are rightly suspicious of the dead hand of the bureaucrat given the country's Soviet inheritance. But, to use the fashionable jargon, it is a question of reinventing rather than restoring the state.

Dalgety

Since 1995, Dalgety has swapped around three-quarters of its business assets – and the management has made a dog's dinner of it. The strategy of getting out of highly competitive snack foods and sauces and concentrating on petfood was sound. Moreover, the group's Felix cat food brand has done well, with Mars failing to capitalise on its dominant market position. Dalgety's problem has been the woeful execution of its £465m acquisition of Quaker's petfood business. It has failed to match demand with supply, due to mistakes in reconfiguring European production. As a result, it is increasingly doubtful that the group has a viable independent future.

At least the latest disasters provided an excuse to cut the dividend. Dalgety was having to skimp on capital expenditure to fund a scarcely covered payout. And the only reason for not cutting the chief executive as well is that with a new chairman, finance director and head of petfoods, Dalgety needs someone who knows the business – at least in the interim.

With all this thrashing around, the sharks must be circling. Nestlé, Heinz, Ralston Purina or even Associated British Foods could be interested. But the complexities of selling off unwanted businesses like US distribution might put them off the scent. In the circumstances, the shares are still best avoided.

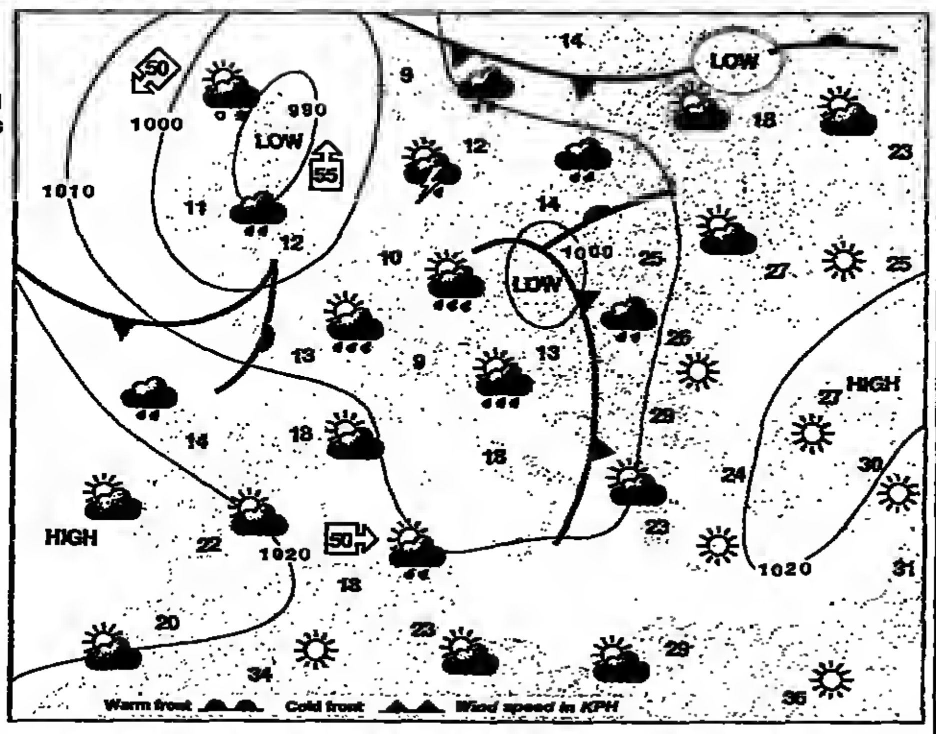
FT WEATHER GUIDE

Europe today

Most of Europe will be unsettled and cool. Only the most easterly sections will still be warm and sunny.
Tropical temperatures are expected around the Black Sea.
Across the Balkans, it will be significantly cooler, with thunder showers.
Rain will spread from southern Britain to western France during the afternoon.
Germany and the Benelux will have scattered rain and hail showers, with temperatures far below seasonal levels.
There will be some snow in the Austrian Alps and the Carpathians.

Five-day forecast

Eastern Europe will turn slightly cooler on Friday, but will then get gradually warmer. Western Europe will continue to be cool with sunny periods mixed with some showers. The risk of hail and thunder will decrease gradually.
Southern Italy will turn dry and rather sunny.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius										
Abu Dhabi	sun 34	Beijing	sun 25	Caracas	shower 31	Faro	fair 22	Madrid	sun 17	Rangoon	fair 34
Accra	fair 31	Belfast	shower 10	Cardiff	shower 11	Frankfurt	shower 13	Majorca	shower 18	Reykjavik	fair 9
Algiers	fair 19	Belgrade	shower 22	Casablanca	fair 20	Geneva	shower 12	Malta	fair 20	Rio	fair 26
Amsterdam	shower 12	Berlin	shower 11	Chicago	fair 19	Gibraltar	sun 21	Manchester	shower 10	Rome	rain 20
Athens	fair 23	Bermuda	fair 22	Cologne	shower 13	Glasgow	shower 11	Manila	shower 33	S. Frsco	sun 23
Atlanta	rain 24	Bogota	shower 22	Dakar	sun 27	Hamburg	cloudy 13	Melbourne	shower 18	Seoul	fair 21
B. Aires	fair 27	Bombay	sun 33	Dallas	thund 27	Helsinki	rain 14	Mexico City	fair 26	Singapore	shower 33
B.ham	shower 11	Brussels	shower 12	Delhi	fair 33	Hong Kong	rain 29	Miami	fair 30	Stockholm	fair 12
Bangkok	thund 39	Budapest	rain 17	Dubai	sun 35	Honolulu	fair 29	Milan	shower 15	Strasbourg	shower 13
Barcelona	sun 19	C.hagen	fair 11	Dublin	shower 11	Istanbul	sun 26	Montreal	rain 12	Sydney	fair 19
		Cairo	sun 29	Dubrovnik	shower 16	Jakarta	fair 31	Moscow	shower 23	Tangier	fair 20
		Cape Town	fair 24	Edinburgh	fair 11	Jersey	shower 9	Munich	shower 13	Tel Aviv	sun 27
						Karachi	sun 35	Nairobi	thund 26	Tokyo	rain 24
						Kuwait	fair 31	Naples	shower 18	Toronto	rain 17
						L. Angeles	sun 25	Nassau	fair 29	Vancouver	sun 17
						Las Palmas	fair 23	New York	cloudy 18	Venice	fair 16
						Lima	fair 26	Nice	cloudy 20	Vienna	cloudy 15
						Lisbon	fair 16	Nicosia	fair 30	Warsaw	rain 16
						London	shower 12	Oslo	shower 9	Washington	rain 21
						Lux.bourg	shower 9	Paris	fair 13	Wellington	sun 15
						Lyon	cloudy 15	Perth	fair 20	Winnipeg	fair 16
						Madeira	fair 20	Prague	shower 11	Zurich	shower 9

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FINANCIAL TIMES
COMPANIES & MARKETS
© THE FINANCIAL TIMES LIMITED 1997 Thursday May 8 1997 Week 19

IN BRIEF

Viacom posts $19m net loss

Sharp declines in operating income et three of Viacom's four core divisions drove the entertainment group into a first-quarter net loss of $19m, compared with earnings of $28m last year. Page 18

Endesa ends partnership with BCH
Endesa, the dominant Spanish electricity group, has ended e wide-ranging industrial partnership with Banco Central Hispano, the big domestic retail bank. Page 17

CNA posts investment income fall
A significant fall in investment income forced *CNA Financial*, the largest US corporate insurer, to announce first quarter profits significantly below analysts' expectations. Page 18

Complex loan for Chinese metals group
Crédit Lyonnais has arranged e $180m 10-year loan to China's state metals company – the longest-term syndicated loan extended to a Chinese corporate borrower. Page 22

Microsoft to acquire Dimension X
Microsoft announced an agreement to acquire Dimension X, e San Francisco developer of Java programs used to create interactive features for multimedia Internet Web pages. Page 18

PolyGram clinches Alan Parker deal
PolyGram, the Dutch entertainment group, has expanded its film production interests by clinching a "first-look" deal with Alan Parker, the British director of *Evita*. Page 17

Australia's airports set for takeover
US and European airports operators are set to take over Australia's airports in the first tranche of e privatisation programme. Page 16

Airbus Industrie net profits fall
Net profits of Airbus Industrie, the European consortium, fell last year to DM707.3m ($411.2m) from DM854.6m in 1995. Page 17

Peter Sutherland to be BP chairman
Mr Peter Sutherland, deputy chairman of British Petroleum, is to succeed Sir David Simon as non-executive chairman, following Sir David's appointment as a minister in the UK's Labour government. Page 21

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Heidelb Zem	153	+	4.5
MAN	519.5	+	11.5
Falls			
Adidas	178	–	4.4
Ind Werke	450.5	–	7.5
Mannesmann	676.5	–	13.5
Volkswagen	1178	–	28
NEW YORK ($)			
Rises			
Jillo Chem	19¾	+	1⅝
Lehman Bros	37¾	+	3⅝
Snyder Comm	26	+	2
Falls			
DR Horton	9¼	–	1¼
Flour Corp	47	–	9
Vencor	39½	–	3½
LONDON (Pence)			
Rises			
ICI	757½	+	43
Phytopharm	139½	+	12
Falls			
Dalgety	269	–	41½
Denmans Elec	109½	–	13
Jacques Vert	26½	–	13
Superscape VR	192½	–	20
TORONTO (C$)			
Rises			
Azur Mineral	7.35	+	0.8
Ashton Mining	7.05	+	1.15
Semi Tech B	3.15	+	0.7
Falls			
Asbestos Corp	18.5	–	1.5
Corriente Res	10.25	–	0.75
Fundy Cable	6.5	–	0.5

PARIS (FFr)			
Rises			
Valeo	374.6	+	7.6
Falls			
BIC	892	–	16
Bouygues	525	–	15
Geophysique	505	–	24
Labinal	1392	–	62
SILIC	880	–	20
TOKYO (Yen)			
Rises			
Daiei	652	+	27
Nihon Cement	605	+	26
Falls			
Calpis Food	887	–	23
Fuji Spinning	388	–	24
Itoham Foods	695	–	29
Tobe Seiyaku	924	–	35
HONG KONG (HK$)			
Rises			
Guangdong Kin	8.1	+	0.6
TV Broadcast	33.0	+	0.7
Wing Hang Bk	33.5	+	1.9
Falls			
Dao Heng Bk	37.5	–	1.1
JF Ind Fnd	9.15	–	0.4
New Wrld Inf	23.75	–	1.15
BANGKOK (Baht)			
Rises			
Bangkok Inv	17.5	+	1.5
Interlife	55.0	+	5.0
Siam Steel	57.0	+	5.0
Falls			
Intl Eng	41.5	–	6.5
Siam Fd Prod	78.5	–	6.5
Thai-Denmark	93.25	–	7.5

New York and Toronto prices at 12.30pm.

Toyota announces new Euro-car

UK is still in the running to get 200,000 capacity plant

By John Griffiths in Brussels

Toyota is developing "a completely new kind of small car for the European market" which is likely to start prodnction at a European plant in 2001, Mr Hiroshi *Okuda*, the *company's* president, said yesterday.

A decision by Jepan's largest car maker on whether to go ahead will be taken in mid-1998. A number of possible European fectory sites – including a third phase of expansion et Toyota's Burnaston plant in the UK – are still under consideration.

Mr Okude refused to indicate e preferred locetion to build the car, which would be prodoced at an annual rate of up to 300,000 a year.

Toyota would need to spend an estimated extra $500m with European component suppliers. Most of the beneficiaries would be the 200 component-makers supplying the Burnaston plant in Derhyshire.

"We are well satisfied with our relationship with most of our British and European suppliers and would want them to continue," said Mr Okuda.

He was in Brussels to unveil e new version of the Corolla, e Ford Escort-sized family car which goes into production alongside the existing Carina E model at Burnaston next year after an investment of £200m ($320m).

Mr Okuda disclosed a higher production target for Burnaston of 220,000 cars e year – more than double the present output of 100,000 Carinas – after the Corolla comes on stream.

He also confirmed that the company would invest a further £60m et its engine plant on Deeside, North Weles, increasing capacity by more than 50 per cent to 200,000 units e year.

Sites throughout western and central Europe have been examined for the oew small car. Unlike the decision to locate et Burnaston, where Toyota made it clear that the availability of aid was not e factor in its choice, this time the company is understood to be planning to take advantage of financial aid where it is offered, subject to other criteria being met.

Mr Okuda insisted, bowever, thet Toyota was not ready to start considering detailed packages of proposed aid.

At the top of the list of criteria was access to a flexible and capable labour force, able to produce high-quality vehicles.

Whether or not e country was signed up to a European single currency was "near the bottom of the criteria", be added.

This is e reference to Toyota's indications earlier this year that it might be favourably influenced by a country's membership of European Monetary Union in future investment decisions. Mr Okuda stressed that the Labour party's election victory in the UK, and its less hostile approach to Europe, hed produced "no major cbange of policy" towards possible further investment in Britain.

Despite intense pitches for the production site for the new car hy e number of countries, including France, British Department of Trade officials believe the UK has not been ruled out of the running.

However, Mr Okuda said he had never heard of a £100m "sweetener" which some reports hed suggested wes being put forward hy the UK.

Cost-cutting helps airline post first positive figure for period

Lufthansa records quarterly profit of $11.6m

By Graham Bowley in Frankfurt

Firm hand: Lufthansa chairman Jürgen Weber announces first-quarter profits yesterday Picture: AP

Lufthansa yesterday presented evidence of success in its drive to cnt wage costs as it posted its first ever first-quarter profit despite e 37 per cent surge in fuel prices.

The German airline last year set out to cut costs by DM1.5bn ($87bn) or 15 per cent hy 2001, a move wbich prompted warning strikes until a more flexible wage deal was agreed.

Mr Jürgen Weber, cbairman, said the cost-cutting had reduced personnel expenses by 0.6 per cent following a 6.6 per cent rise during 1996.

Lufthansa recorded a *DM20m pre-tax profit in the* first quarter, compared with e DM49m loss in the same period e year earlier. Turnover rose 8.5 per cent to DM4.9bn.

Mr Weber said: "Had it not been for job cuts in the second half of last year, capacity adjustments, cuts in expenditure and many other meesures, we would not beve absorbed the additional burdens" of a rising fuel prices and a lower D-Mark.

Lufthansa continned to make e loss in its home market. It said its better overall performance was largely dne to stronger transatlantic business, wbere volume bed increased 23.2 per cent. Mr Weber expected sales for the full year to top last year's DM20.9bn. Profits before tax last year were DM686m, 9.3 per cent down on 1995.

Mr Weber said competition was intense but the company was enjoying "growth rates in some areas which we beve nevcr bed before in tbe bistory of Lufthense".

However, some analysts were suspicious that hnoyant figures may have have been infleted by extraordinary items.

Mr Weber said the airline's alliance with SAS, the Scandinavian airline, had produced snbstantial synergies. Lufthansa was seeking a new partner in Asia, to be announced "in the course of this year". It already has an alliance with Thai Airways.

Mr Klens Schlede, chief financial officer, sald the group's frelght business was "at last sbowing an improvement in its earnings performance". It made a record loss before tax of DM60m last year but losses were now lower.

The airline plans to pay an uncbanged dividend of 50 pfennigs.

Dalgety to cut dividend after profits warning

By David Blackwell

Dalgety, the UK petfood and agribusiness group, is to cut its dividend by e third after warning yesterdey that second-half profits would fail to match the £43m ($70m) in the first six months.

It hlamed problems caused hy BSE or mad cow disease, the strength of sterling and production problems.

The group announced provisions totalling £36m, mainly to cut petfood manufacturing costs. Sterling's strength is expected to knock ebout £8m from this year's profits, which analysts are now expecting to be £80m-£85m.

A year ago the market had expected profits for this year, ending on June 30, to be about £130m.

The shares fell 41½p to 269p, raising questions over the group's vulnerability to a takeover bid. *Among international* groups known to be interested in expanding their petfood business are Nestlé and Heinz.

Analysts were critical of the company's performance. "Petfood has been a complete disaster," said one. "It's not e sales problem, but a failure to get production right."

Mr Nigel Garrow bas resigned as chief executive of tbe petfoods division, which has been plagued by production problems since the £442m purchase of Quaker's European operations two years ago. The problems have been exacerhated by the BSE crisis, which led to e ban on the export of UK meat products.

Mr Gerrow bes heen replaced by Mr Hugh Donaldson, who has experience in reorganising manufacturing operations at ICI and Zeneca.

Mr Donaldson was called in as a consultant in March by Mr Richard Clothier, chief executive, and Sir Denys Henderson, the former ICI chairman wbo became Dalgety chairman last December.

Mr Clothier said the group was now two to three years behind on its plans to become tbe second largest European petfood producer. But the objectives were "still achievable, albeit rather lete".

He said the group had underestimated the task of integrating the Quaker business. BSE had then "struck et the most inconvenient moment".

Three inefficient continental plants had been closed last year, and the group was relying on the UK for surplus capacity. But breakdowns at a major UK plant had meant shifting production to meet customer demand et e cost of £8m in the third quarter.

Among qooted food and agribusinesses, Dalgety has been hardest hit by BSE because of the impect on its two main divisions, petfoods and agricultural feeds.

The company said the final dividend will be not less than 6p, cutting the total from 22p to not less than 14.5p.

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North American investors take brunt of Bre-X losses

By Bernard Simon in Toronto

North American institutional and retail investors eppear to be the main victims of the gold hoax perpetrated at Bre-X Minerals' Busang site in indonesia.

But Canadian securities firms, some of which face criticism for aggressively promoting Bre-X shares, are expected to weather their losses without serious problems, according to the Canadian Investment Dealers Association.

Bre-X shares lost almost all their value this week after confirmetion that Busang contained virtually no gold. They ware trading yesterday at 9 cents, having reached e peak last May of C$28.65.

Several investors have disclosed substantial losses. The Caisse de depot et placement du Quebec, a public sector pension fund, estimated its loss et ebout C$70m, but the pain appears most severe among small investors, many of whom were urged to invest by analysts and salesmen.

Mr Tony Beale, director of Moss Lawson, a Toronto securities firm, predicted: "There are going to be e lot of personal bankruptcies. A lot of people ill-advisedly borrowed money, with little or no knowledge of the stock market."

Precious metal mutual funds typically had between 1 and 6 per cent of their holdings in Bre-X. The unit price of e Toronto-Dominion Bank fund has tumbled 22 per cent since late March.

Among securities dealers, First Marathon, one of the most active traders of Bre-X shares, disclosed it lost C$4.5m from what it called "a pretty aggressively managed" fund.

Dealers also face losses from calls on clients wbo bought shares on margin. But Mr Greg Clarke of the IDA said firms with large exposures were generally those with the strongest balance sheets. He said there were no solvency concerns, based on a survey in March when firms were advised to value Bre-X holdings at zero. First Marathon said its position was "very manageable".

Investors' ire bas heen directed mainly at Neshitt Burns, whose gold analyst was a Bre-X cheerleader.

Prescient hears profited, however. Oppenheimer & Co, the US securities house, said it gained ebout C$10m recently by selling the shares sbort.

Observer, Page 13;
Fall-out from Bre-X, Page 20

Beijing warms to Jardine

By John Ridding in Hong Kong

China's top economic official yesterday met the chairman of Jardine Matheson in Beijing's leadership compound, signalling a warming of ralations with the British-*backed Hong* Kong conglomerate.

The meeting between Mr Zhu Rongji, senior vice-premier in charge of the economy, and Mr Henry Keswick was an attempt to reassure Jardine and otber international companies thet business would be unaffected by Hong Kong's return to China in July.

"If they are giving this kind of respect to Jardine, which is a symbol of corporate colonialism, then they are sending a broader signal to the business community," said one European investment banker.

He added that while Beijing has adopted an uncompromising stance on the political issues arising from the transi*tion, it has been eager to* bolster business confidence.

Speaking after the meeting in the Zhongnanhal compound, Mr Keswick gave an upbeat assessment of his talks with Mr Zhu. "He welcomed our range of activities and numerous joint vantures in China," he said. "His interest in the development of our Hong Kong businesses was positive and encouraging."

The Jardine chief also met Mr Lu Ping, China's top official on Hong Kong affairs. Earlier this year, Mr Lu said that Jardine Matheson would be given equal treatment in its mainland dealings, clearing the way for the group's participation in securities and infrastructure contracts.

*Mr Alasdair Morrison, man*aging director, who was also at the talks, said the group was committed to expanding in Hong Kong and the mainland.

These signals mark a sharp change from the early 1990s, when Chinese officials criticised Jardine for its support of the Governor Chris Patten's political reforms and its decision to de-list from the Hong Kong stock market.

Wallflower Swire to join the party, Page 16

Business surges at Nomura pensions arm

By Gillian Tett in Tokyo

Japan'a largest peosioo fund manager, Nomura Investment Management (Nimco), experienced a surge in business last year as Japanese companies became more discriminating about the way they invest their pension funds.

Funds under management at the group soared from around Y2,730hn at the end of March 1996 to a provisional Y3,684bn ($29.4hn) a year later, senior officials said yesterday.

The results highligbt the increasing power that groups such as Nimco are acquiring in Japan's vast pension fund sector, as companies become more market-oriented in making investment decisions for their pension assets.

Nimco'a presence in the financial services sector is aet to become even stronger, as it plans to merge with Nomura Investment Trust, the mutual fund arm of the Nomura group, later this year.

Nimco is linked with Nomura Securities through cross-shareholdings, hut stopped using it as a hroker earlier this year after it became tainted by scandal. Nimco has subsequently been at pains to stress its independence.

The surge in business also illustrates the pressures on Japan's life assurance sector, which recently saw the first closure of a company – Nissan Mutual – since the aecond world war.

As Japanese companies increasingly move money out of the trust banks and life assurance companies in which they have traditionally placed their assets, weaker life groups such as Nissan Mutual have been hurt.

Information on where Japanese companies are placing their pension assets is elusive, as most of the investment adviser groups and pension fund managers are not listed and levels of disclosure are poor.

However, data on the life assurance sector to be puhlished later this summer is expected to show that the industry lost ahout Y7,000bn of assets from its general accounts last year, as companies moved their money into new investment vehicles.

Some of the money is believed to have gone into trust banks and other affiliates of the life assurance groups, hut a large part of it also appears to have been moved into the investment adviser aector.

This sector has only recently emerged as a force in Japan and controls only a tiny part of the Y240,000bn pension system, hut it has been growing fast.

Provisional data suggest that discretionary pension funds managed by the investment adviser sector rose from Y4,925bn at the end of March 1996 to Y11,582bn a year later.

In addition, advisory pension funds managed by invastment advisers rose from Y1,912bn to Y2,192bn in the same period.

Nimco sees this trend continuing. It expects its own pension fund portfolio to grow by about Y300bn every six months. Mr Luka Katayama, a director of Nimco, said: "Companies are looking for higher-performing money managers when they can."

China Unicom eyes HK Telecom

By John Ridding and Louise Lucas in Hong Kong

China Unicom, China's second state-owned telecommunications company, has expressed an interest in taking a stake in Hongkong Telecom, fuelling speculation about a share restructuring in the territory's dominant operator.

Speaking after a conference in Hong Kong, Ms Li Huifen, president of China Unicom, said the company had held talks concerning co-operation with Hongkong Telecom and was interested in acquiring a stake. However, any purchase must he decided hy China's state council.

Ms Li's comments came after a sharp rise in Hongkong Telecom's share price on Tuesday.

Thay follow frequent reports that Cable & Wireless, the operator's controlling shareholder, will reduce its stake ahead of Hong Kong's return to China in July. Hongkong Telecom faces pressure given its dominant presence in a strategic industrial sector.

However, the company has declined to comment on prospects for a capital restructuring. Cable & Wireless has also played down reports of a shake-up.

Citic Pacific, on the other hand, the Hong Kong arm of Beijing's flagship investment vahicle, has said it is reviewing holding its 8 per cent stake in Hongkong Telecom. The conglomerate, which has acquired strategic stakes in several Hong Kong industries, is also a shareholder in China Unicom.

Despite its powerful backers, analysts expressed scepticism about whether China Unicom could afford a stake in Hongkong Telecom. "They don't have any cash," said Mr Jeff Camp, at Morgan Stanley.

The company is also facing resistance to its expansion plans from the Ministry of Post and Telecommunication, the main Chinese telecoms concern.

One telecoms analyst at a European hank said there were few mainland-backed companies in a position to huy a significant stake in the Hong Kong operator. "With a market capitalisation of more than HK$152bn (US$19.62hn), any partner would need pretty deep pockets or a pretty ingenious deal," he said.

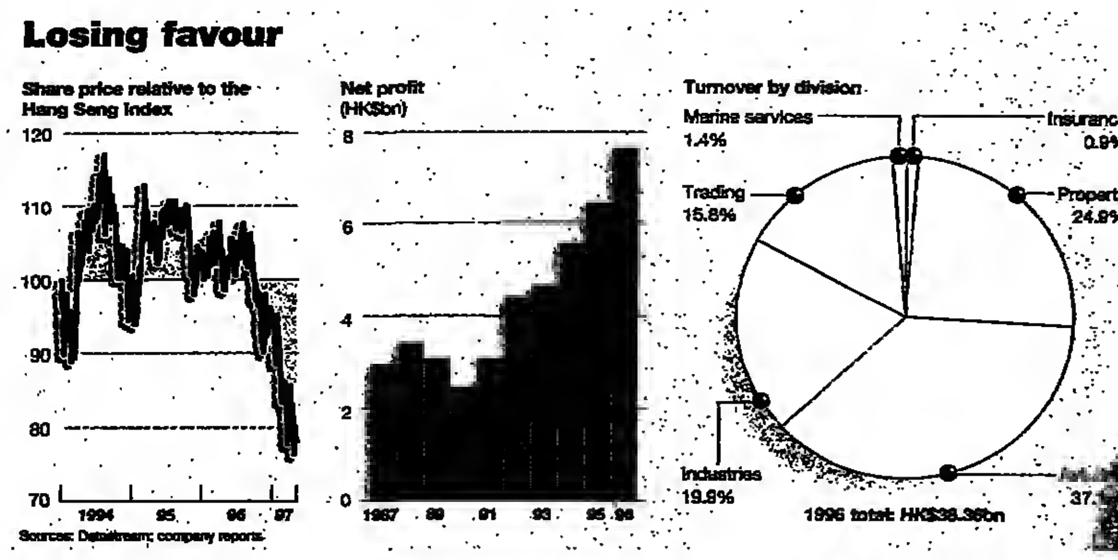
"The prohlem for investors and for the business community arises if there is a forced deal or a deal on unfavourabla terms for C&W," he added.

Wallflower looks forward to joining the party

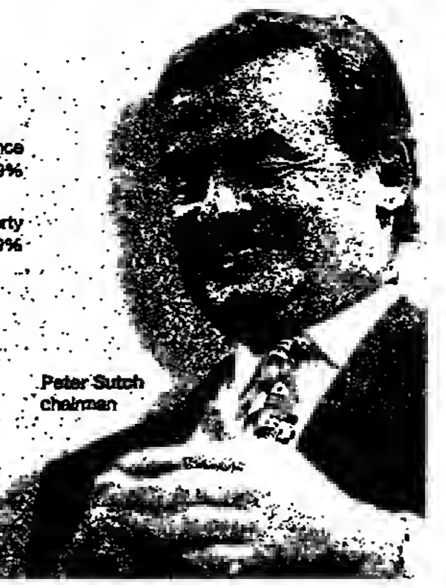
Swire has underperformed the HK market by 15% this year while shares in China-backed companies have surged

Swire Pacific might seem to investors like a wallflower at a wild party. While sbares in Cbina-backed companies have surged, ahead of Hong Kong's handover, tbe blue-chip conglomerate has underperformed the Hang Seng index by more than 15 per cent since the beginning of this year.

In Hong Koog's volatile market, executives and analysts caution against reading too much into share price swings. But tbe message from the market raises important questions. Is the market's judgment justified by Swire's performance and prospects? And, more broadly, does it signal tougher times ahead for UK-backed groups after July's return to China?



Sources: Datastream; company reports.


Peter Sutch chairman

"We are oot flavour of the mooth," says Mr Peter Sutch, chairman. But be points to steady progress. In 1996, Swire achieved net proflts of HK$7.65hn (US$987m) – a rise of almost 20 per cent. Excluding exceptionals, the increase was 10 per cent, whicb was still at the top of market expectations.

"We remain on track to continue the sort of performance of the past 10 to 12 years," Mr Sutch says, referring to average annual dividend growth of more than 10 per cent.

The group has sharpened its focus – removing non-core businesses from the main divisions of property, aviation, industries and trading, and withdrawing from insurance underwriting. That may seem unexciting, hut it follows a landmark restructuring of its aviation interests last year, in which Swire and mainland groups positioned themsalves for the period after the handover.

Last month, the group surprised the market by announcing a HK$25bn property developmeot project in partnership with Sun Hung Kai.

That deal was welcomed hy the investment community. "It gives them a big cbunk of land which will underpin property development sales past 2000, and eases concerns about the depletion of the land bank," says Mr Anil Daswani, analyst at Salomon Brothers.

Like a numher of other analysts, Mr Daswani is upbeat ahout Swire's prospects. "They may be a bit conservative, but they are an extremely well-managed company," he says.

Complaints that the group has not been aggressive enough on the mainland, he argues, are not justified. "They have been active in their industries division, and they bave done well to be ont of property," be says, referring to the property glut across the horder.

Mr Nam Park, analyst at ING Barings, argues that the underlying business prospects at Swire are stronger than at Jardine Matheson, its rival UK-backed conglomerate. Others claim that Swire has played a good hand in preparing for Chinese rule.

While Jardine was long ostracised by Beijing for its backing of Governor Chris Patten's democratic reforms, and Hongkong Telecom remains huffeted hy speculation concerning the majority stake beld by Cahle and Wireless, Swire Pacific has huilt an alliance with Citic Pacific, the Beijing-backed conglomerate.

Citic now holds 25 per cent of Cathay Pacific, the territory's de facto flag carrier, and is involved in hottling and property projects. For Swire, which retains a 44 per cent stake in Cathay, the deal resolved a politically sensitive dilemma with relatively little pain, removing a cloud for investors.

"Looger term, there are still question marks about the stahility of the pact, and whether Swire can remain as the biggest shareholder," says one aviation analyst. "But the deal cleared the air, so to speak, and lets investors focus on fundamentals."

That focus, however, still appears obscured. Assuming net profits of HK$9.23bn in 1997 and HK$10.1bn the following year, ING Barings says the company is trading at a single-digit price/earnings ratio.

While shares in Hutchison Whampoa, tha conglomerate controlled hy Mr Li Ka-shing, trade at abont their net asset value, and Citic Pacific is at a substantial premium, Swire trades at a disconnt of more than 20 per cent.

Part of the reasoo lies in lingering concerns ahout prospects in the aviation sector and the company's strategy of gradual expanstoo on the mainland.

But it is also hard to avoid the UK connection in the share price performance. "There is no doubt about it," Mr Sntch says. There is a perception, the Swire chief admits, that UK companies will find life harder under the Chinese flag.

Swire is not alone: Jardine Matheson's shares have underperformed the Hang Seng index by 17 per cent this year. But it is a perception that clearly hothers Mr Sutch.

"I think it is wrong," he says. "I get quite irritated by the suggestion that we always had the key to the back door of Government House. That is not the way that Hong Kong works and it is not the way we work as an organisation."

Nor, he believes, is it the way the territory will operate after July.

"It is like so many other things in Hong Kong. Arond the world everybody is looking at what could theoretically go wrong and haven't looked at the track record of what is actually happanlng," he says, respondiog to concerns about forced deals and the risk of a mainland tilt in the business playing field.

Perceptions, however, can be hard to adjust. "It could be several months into the new administration hefore the penny drops that nothing is changing," he says.

That leaves Mr Sutch looking forward to the handover. Swire Pacific migbt then be ahle to join the party.

John Ridding

Thailand to buy Natuna gas

By Ted Bardacke in Bangkok

State-owned Petroleum Authority of Thailand (PTT) is set to buy 500m cu ft of natural gas a day from Indonesia's huge Natuna offshore gas fields, while an affiliate company PTT Exploration & Productlon will take an 11-15 per ceot stake in the project.

Gas purchases will begin in 2005 and will be douhled two years later, according to Mr Korn Dabbaransi, Thailand's industry minister. An option to increase the amount to 3bn cu ft a day is being discussed. Price negotiations are continuing, but Thailand plans to huy the gas at tbe platform, with PTT expected to construct an undersea pipeline to transport the gas.

The Natuna fields in the South China Sea are thought to be ooe of the largest gas developments in the world, with an estimated 46,000hn cu ft of commercially recoverahle gas.

Development cost bas been estimated at between $20bn and $40hn. Exxon, of the US, bolds a 50 per cent stake in tbe project with Mobil holding 26 per cent and Pertamina of indonesia the remainder.

Australia airports to raise A$3.3bn

By Nikki Tait in Sydney

US and European airports operators are set to take over Australia's airports in the first tranche of a privatisation programme announced yesterday.

Tbe US-based Airports Group International, BAA of the UK, and the Dutch Schipbol group were among the winniog consortia for the Melbourne, Brisbane and Perth properties.

Australia's federal governmeot will raise a total of A$3.37bn (US$2.62bn) from the first tranche. Mr John Fahey, federal finance minister, admitted the prices were substantially higher than the government had expected. "We are very, very pleased... it wasn't witbin our expectations in the lead-up to [tbe sale]," be said.

Initial estimates had suggested a price-tag of only A$2bn for the three facilities plus the larger Sydney airport, whicb was eventually excluded from the first tranche of the sale.

The higbest successful bid was A$1.387bn, paid by the Brisbane Airport Corporation. BACL is made up of Schiphol, Australia's Commonwealth Bank, the Port of Brisbane, the local city council, and Commonwealth Financial Services, CBA's fund management arm.

Australia Pacific Airports made a successful A$1.307bn offer for Melbourne's Tullamarine airport. APAC comprises the AMP Society, Australia's biggest life office (49.9 per cent), Axiom Funds Management (25 per cent) and BAA (25.1 per cent).

Hastings Funds Management, a local infrastructure investment specialist, is also expected to acquire a 10 per cent stake in APAC from BAA, reducing the latter's holding to 15.1 per cent.

Perth airport was bought by Airstralia Devalopment Group – which comprises Infratil, an infrastructure company, with 49 per cent, AGI with 16 per cent, and Hastings with 35 per cent – for A$643m. The gronp's hackers include Lockheed Martin, Soros Capital, GE Capital and SunAmerica.

Endesa ends partnership with BCH

By Tom Burns in Madrid

Endesa, the dominant Spanish electricity group due for further partial privatisation later this year, has ended a wide-ranging industrial partnership with Banco Central Hispano, the big domestic retail bank.

The two agreed two years ago to invest jointly in the telecommunications and power sectors, but the break-np of the alliance was precipitated by rival bids for Retevisión, the planned second domestic telecoms operator.

The split underlines the growing aggressiveness of the cash-rich power group. Following senior management changes earlier this year, Endesa is now styling itself as an integrated industrial group open to alliances in sectors such as water treatment and gas, as well as telecoms.

The shake-up is designed to increase abarebolder value in advance of tha sale of half the government's 66 per cent stake in Endesa. The issue is valued at Pta750bn ($5.2bn), the biggest disposal of state-owned equity in Spain.

In the battle to acquira Retevisión, BCH is leading a consortium that includes France Telecom, Deutsche Telekom and Sprint, of the US. Endesa has joined forces with Stet, of Italy, to prepare a competing bid. Both consortia received access to Retevisión's full documentation yesterday, along with a third group composed of AT&T, of tbe US, and Germany's Mannesmann.

The three potential bidders have until next Monday to declare the composition of their final sharebolder structure, and until June 9 to enter their bids.

The government has set a minimum price tag of Pta45.6bn for 60 per cent of Retevisión. The group that acquires control will have to subscribe to a Pta25.3bn rights issue to take its stake to 70 per cent.

During their partnership, Endesa and BCH became important sbarebolders in Airtel, the domestic mobile telephony operator. Speculation that Endesa and BCH would merge their Retevisión bids ahead of Monday's deadline has been dismissed by the power group.

Mr Rafael Miranda, Endesa's new chief executive, said yesterday that a last-minute agreement to make a joint offer for the operator would be "very difficult".

"We are reconsidering the whole agreement [with BCH] because it no longer has any content," Mr Miranda said. "In the telecoms sector we are going in different directions, and we want the break to be peaceful."

Stet was chosen by Endesa as a partner for the Retevisión bid because the Italian company valued the power group's fibre-optic network more highly than did France Telecom, BCH's main partner. Mr Miranda said that the difference in the valuation was "in the three-to-one range".

EUROPEAN NEWS DIGEST

Equities sales bolster Merita

Merita, the Finnish banking group, yesterday reported first-quarter earnings up sharply on the same period last year, but bolstered by gains from equities sales. Operating profits after credit losses were FM934m ($183m), up from FM233m a year ago. The results were boosted by a FM584m gain on the reduction in the company's equity portfolio, by FM2.6bn to FM4.3bn. Merita said net income from securities trading rose from FM295m to FM854m a year earlier. The total includes income from own-account securities trading not related to its portfolio sales. The bank also cited lower costs as a factor in the profits surge.
Agencies, Helsinki

Ina raises dividend 18%

Ina, parent company of Italy'a second largest insurance group, announced an 18 per cent rise in its dividend this year to L65 a share, on the back of a 12.3 per cent rise in 1996 gross profits to L837bn ($490m) compared with L745bn in 1995. Net profits rose 6.4 per cent to L421bn reflecting higher tax charges. *Paul Betts, Milan*

Aids payout put at DM460m

Bayer, the German pharmaceuticals company, said yesterday its DM460m ($270m) compensation payout to surviving Aids patients and the families of Aids victims would be covered by insurance and earlier provisions, and would not affect profits. It said an agreement would be struck this week on the Aids cases, which arose when about 6,000 people were infected by contaminated blood products between 1978 and 1985. Three other companies – Baxter International of the US, Rhone-Poulenc Rorer, the US unit of Rhône-Poulenc of France and Alpha Therapeutics – are also involved in the case.
Graham Bowley, Frankfurt

Deutsche Postbank chief quits

Deutscha Postbank, the German postal savings bank, yesterday confirmed that Mr Günter Schneider, chairman, had resigned ahead of schedule. He will be replaced by Mr Dieter Boening, of DSL-Bank. Mr Scheider'a departure is thought to be a protest at the terms of an agreement for the bank to use the counters of the German postal service. *Mark Mulligan*

Alan Parker: PolyGram aims to boost production capacity with deal for his films *David Appleby*

Investment banking grows at ABN Amro

By Gordon Cramb in Amsterdam

ABN Amro, the Netherlands' biggest bank, ralied on investment banking activities for more than one-fifth of its pre-tax profits in 1996 – more than double the proportion contribnted by tbe division two years earlier.

The earnings break-down was among items revealed for the first time yesterday in a prospectus for the bank'a New York listing this month.

It shows that of its total Fl 4.79bn ($2.47bn) profits last year, struck before taxation but after loan loss provisions, investment banking worldwide brought in Fl 1.02bn.

Commercial banking in North America provided an identical amount, sbowing year-on-year growtb of nearly 40 per ceot. But the domestic brancb network was still the biggest source of profits, though managing only 6.7 per cent growth to bring in Fl 1.57bn.

The 21.3 per cent of the *total attributed to invest*ment banking last year compares with 16.5 per cent in 1995 and just 9.4 per cent the year before. Its centrepiece is Hoare Govett, the London stockbroker, while two months ago the bank completed the sale of MeesPierson, the Amsterdam investment bank, to Fortis, the Dutcb-Belgian financial group.

ABN Amro has been steadily adding to its presence in centres such as London. For example, the prospectus shows it paid Fl 29m for Carrington Pembroke and Fl 56m for Causeway Group, both based in London, last year.

Lending activities worldwide showed doobtful items *of Fl 9.9bn on a loan book* totalling Fl 327.7bn. The group has seen rapid balance sheet growth, most recently through its $1.9bn agreement to take over Standard Federal, the largest savings bank in the US Midwest. It has adopted what it sees as a conservative provisioning policy. Allowances stood at more than Fl 9bn at the year-end.

PolyGram woos film makers with deals

PolyGram, the Dutch entertainment group, has expanded its film production interests by clinching a "first-look" deal with Alan Parker, the British director of *Evita* and *The Commitments*, writes Alice Rawsthorn.

The deal, which is expected to result in the release of at least one film a year produced or directed by Mr Parker, is intended as the first of several exclusive agreements with which PolyGram hopes to increase its film production capacity before the launch of its US distribution network this autumn.

PolyGram, a subsidiary of Philips, the Dutch consumer electronics company, has invested $800m in setting up a film entertainment division over the past six years. It recently allocated np to $340m of additional investment, hoping to bring it into profit.

Originally PolyGram had hoped to accelerate its expansion in film by acquisition, but after a number of unsuccessful bids, it has opted to increase its production capacity by securing film-maker deals. It has already secured agreements with David Fincher, director of *Seven* whose next film, *The Game*, will be released by PolyGram this autumn, and the actress, Jodie Foster, through Egg Pictures, her production company.

PolyGram is also looking to exploit growing demand for feature films from television companies. It has won an exclusive pay-TV deal to sell all the feature films it distributes in Spain to Sogecable, the Spanish media group.

This deal, which encompasses the pay-TV rights to films such as *Sleepers*, *Trainspotting* and *Fargo*, follows a similar agreement whereby Canal Plus, the French TV group, has a four-year agreement for PolyGram's features in France.

The Dutch group hopes soon to conclnde exclusive deals for the sale of the free and pay-TV rights to its films in Italy.

Profits decline revealed at Airbus

By Michael Skapinker, Aerospace Correspondent

Net profits of Airbus Industrie, the European consortium, fell last year from DM854.8m in 1995 to DM707.3m ($410m), Daimler-Benz Aerospace (Dasa) of Germany has revealed. This is the first time that Airbus profit figures bave been published.

Dasa, which has a 37.9 per cent stake in the consortium, published the result in its 1996 accounts. Dasa is talking to the other Airbus partners – Aerospatiale, of France, which has a 37.9 per cent stake; British Aerospace, with 20 per cent; and *Casa, of Spain, with 4.2 per* cent – about turning the consortium into a limited company.

The four partners, which aim to change the consortium's status by 1999, are discussing the form the company should take. Airbus is a *groupement d'Intérèt Economique*, which means its profits are earned by its partners rather than by the consortium itself.

Dasa and BAe are pressing for Airbus to take control of aircraft mannfacturing and research, as well as sales and marketing.

However, Aerospatiale believes that manufacturing and research should remain the responsibilities of the partners, to ensure that national governments continue to invest in Airbus aircraft programmes.

BAe has attempted to reassure Aerospatiale by saying that all four conntries will continue to host Airbus manufacturing facilities. However, it has maintained its view that the new company must take control of all aspects of civil aircraft research, manufacturing, sales and service.

Rinascente deal knocks shares

By Paul Betts in Milan

Minority shareholders of Rinascente yasterday marked down the Italian retailer's shares nearly 8 per cent in protest at the structure of its alliance with Auchan, the privately-owned French supermarket group.

The deal announced on Tuesday between the Agnelli Ifil holding – Rinascente'a controlling shareholder – and Auchan also angered international investors.

One big US institutional investor describad it as "another Italian stitch-up job at the expense of small shareholders".

However, Ifil abares, which rose sharply on Tuesday, continued to climb yesterday, with the market forecasting significant benefits from the deal for the Agnelli holding.

Ifil shares gained L10 to close at L5205 after rising 4.8 per cent the previous day.

By contrast, Rinascente shares, whicb were suspended on Tuesday, closed 7.94 per cent lower at L8,615 after slipping nearly 10 per cent at one stage.

The fall partly reflected Rinascente's decision to launch a L780bn ($457m) capital raising to finance the L530bn acquisition of Auchan's Italian activities.

However, the main object of criticism was tha other component of the deal: Auchan will invest L1,000bn in a 49 per cent stake in a new joint company which will absorb Ifil's 40.5 per cent controlling stake in Rinascente.

At this price, the value of Ifil's stake could be calculated at about L15,600 a share, a beavy premium to Rinascente's closing share price yesterday.

"Once again it shows how easy it is to bypass Italy's takeover regulations," said a Milan broker yesterday.

He echoed minority shareholders' complaints that a deal of this size should have involved a public offer.

Consob, the Italian stock market watchdog, has already cleared the venture.

However, many analysts continued to praise the industrial logic of the deal, whicb is designed to help Rinascente expand.

This will, in turn, enable Auchan to make significant inroads into the highly regulated Italian retailing sector.

Bank Handlowy sale gets go-ahead

By Christopher Bobinski in Warsaw

Poland's securities commission has approved the privatisation prospectus of Bank Handlowy, one of the country's largest banks.

Mr Cezary Stypulkowski, the bank's head, said he was confident the sale would be completed by end-June.

The Treasury is planning to place 43 per cent of the offer privately, with a group of foreign institutional long-term investors, while the public sale will see institutions and retail investors buying a further 45 per cent of the offered stock.

Part of the public offer will consist of Global Depositary Receipts issued by the Bank of New York. The bank's employees are to be offered 7 per cent of the shares available.

TV only bright spot as Viacom reports loss

By Christopher Parkes in Los Angeles

Sharp declines in operating income at three of Viacom's four core divisions drove the entertainment group into e first-quarter net loss of $19m, compared with earnings of $28m last year.

The television business, which includes tha successful MTV music and Nickelodeon entertainment franchises, was the only sector to show progress, with operating profits up 17 per cent to $160m from $137m, on revenues 11 per cent higher at $577m.

The company's stock, dented recently by the abrupt departure of the head of the troubled Blockbuster video business, rose slightly on better-than-expected per share results: a loss of 10 cent compared with earnings of 3 cents last time and predictions of e 16 cent deficit.

However, the video and music division, which inclndes Viacom's troubled Blockbuster rental and retail chain, bore the scars of a turnaround strategy that is expected soon to be abandoned after its launch only a year ago.

Operating income fell 43 per cent year-on-year, from $97m to $55m, despite a 15 per cent rise in revenues. The division's cash flow, defined as earnings before tax, depreciation and amortisation, slid 15 per cent

Although the group offered no detailed breakdown of this decline, it had warned last week that Blockbuster's cash flow would be 15 to 20 per cent lower than last year.

Music stores, also under the the Blockbuster brand, posted "slightly positive" cash flow after a $2m deficit in early 1996. Theme parks, also bundled into the video and music arm, reported a "slight" loss, the company said.

Last week's warning accompanied the announcement of the departure of Mr Bill Fields, hired a year ago to revive Blockbuster, and named as a potential future chairman by the company's current head, Mr Sumner Redstone.

Mr Redstone said yesterday that rising revenues in all divisions demonstrated the group's underlying strength, but offered no further insights into his plans for restoring Blockbuster's fortunes.

According to reports, he intends to re-focus the business on its origins in high-profit video rentals, reversing Mr Fields's policy of increasing sales of film cassettes and other "home entertainment" products ranging from popcorn to soft drinks.

Operating income at tha entertainment division, which includes the Paramount film studios, TV programming and cinemas, fell 34 per cent to $95m in the quarter. But underlying cash flow was up 30 per cent after excluding last year's one-time benefits at this level of film and programme licensing deals with Germany's Kirch Group.

The operating loss et the publishing division, which includes the Simon & Schuster label, widened 24 per cent to $58m as revenues rose 2 per cent to $399m.

Sumner Redstone: offered no insights into recovery plans

Microsoft acquires Java know-how

By Louise Kehoe

Microsoft yesterday announced an agreement to acquire Dimension X, a San Francisco developer of programmes using the Java language which creates interactive features for multimedia Internet Web pages.

The acquisition signals a shift by Microsoft to embrace the Java programming language more wholeheartedly, industry analysts said. Until now, Microsoft has appeared less than enthusiastic about Java, which was developed by Sun Microsystems.

Java enables the development of "cross-platform" software which can run on any type of computer. It is being widely used to create software for the Internet.

Terms of the deal were not disclosed, but Microsoft is believed to be paying less than $50m for the software developer, which has 40 employees.

Dimension X was the first of many Java start-up companies formed over the past two years to take advantage of the new language.

The acquisition is the latest in a series by Microsoft, which last month acquired WebTV, a company that has developed technology to deliver the Internet to TV sets, for $425m, mostly in stock.

With a cash hoard of more than $9bn, Microsoft is becoming increasingly acquisitive. Over the past 3½ years tbe company has invested about $2bn in acquiring smaller companies. Most of these investments have occurred over the past 12 months, Mr Greg Maffei, Microsoft's treasurer and vice-president of corporate development, noted during a presentation to venture capitalists earlier this week.

However, Mr Maffei said Microsoft was cautious about placing too mucb emphasis on acquisitions. "Integrating technologies is hard. That's why we don't do e lot of ecquisitions," be said.

US pulp and paper industry turns a page

Mergers and appointments suggest that consolidation is under way at last, says John Authers

Consolidetion may at last be imminent for the US pulp and paper industry.

Stocks in botb Fort Howard and James River rallied impressively in New York on Monday, when the companies announced they were merging in a $3.6bn deal.

The acquisition converted two medium-sized players into the second-largest manufacturer of tissue paper in the US.

More impressively, virtually all the leading paper companies gained on the news, as dealers assumed that broader consolidation for the industry was et last under way.

Nor were potential targets the only companies to gain. Larger players such as International Paper and Georgia-Pacific – both more likely to be acquirers – also gained more than 4 per cent on the news.

Wall Street was excited because the US paper industry is out of favour, and analysts believe consolidation is overdne. They believe that the existence of fewer companies would eliminate wasteful over-production, which serves merely to force paper prices down.

Outside the US, consolidation has already been firmly established.

There have been several large mergers in Scandinavia and Canada, where Abitibi-Price merged with Stone-Consolidated in February this year to form a new market leader.

The US market now appears distinctly overcrowded by comparison.

Several of the largest companies in the sector have appointed new chief executives during the last two years, stoking speculation that the industry is now ready for a shake-out.

Mr Pete Correll, chief executive of Atlanta-based Georgia-Pecific, suggests there "absolutely needs to be consolidation". He seys: "This industry is the most *fragmented capital*-intensive industry in the US. A lot of efficiencies could be generated by consolidation."

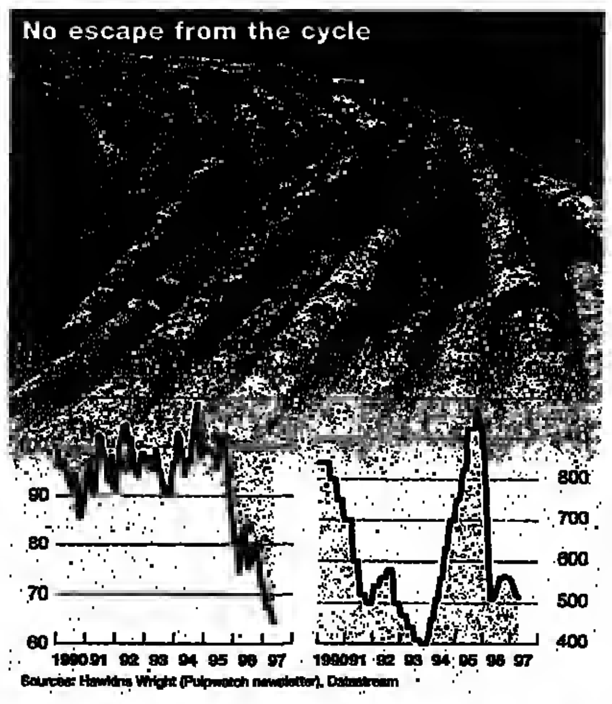
He adds that tbe paper industry, unlike those involving other raw materials, is not necessarily cyclical, as demand continues to grow steadily each year.

He suggests as well that the paper market is only cyclical because the industry has made it so, expanding capacity when times are good, and thus forcing prices down until capacity has been cut again.

The American Forest and Peper Associatlon's latest annual survey of capecity shows that the industry plans to increase supply during the next three years, although at a much slower rate than has been normal during the past decade.

After rising et an annual rate of 2.6 per cent from 1986 to 1995, the US industry grew by 3.5 per cent last year, es new mechinery –ordered while paper prices were high – came on stream, according to the survey.

For the next three years, paper and paperboard capacity is slated to grow at an annual rate of only 1.5 per cent.



Sources: Hawkins Wright (Pulpwatch newsletter), Datastream

But so far companies have ettempted to deal with the problem by the temporary measure of increasing "down-time", leaving mills inactive for longer periods.

Globai over-capacity, fuelled by the emergence of new more cost-efficlent suppliers in south-east Asia, belped force last year's dramatic slump in paper prices, which saw some categories of paper fall by as much as 30 per cent.

As a result, US paper companies' shares underperformed the market drastically, continuing e trend that has lasted almost a decade. The under-performance has continued so far this year, with the S&P paper sector up only 0.11 per cent.

Equity strategists, such as Mr Michael Metz, of Oppenhelmer & Co. now believe paper might even offer relatively good value. He suggests the James River-Fort Howard deal is the start of a consolidation in the basic materials industries, "wbere it is cheaper to buy than to build".

Mr Mark Wilde, paper industry analyst at BT Securities in New York, says: "If you look et Scandinavie, there's been so much consolidation – also in Canada. Something has got to happen in the US, and much of the industry is for sale."

He adds that shareholder dissatisfaction is growing, and that the value of paper companies' underlying assets, particularly in timber, make tbem look very cheap, given the new interest from institutions in buying timberlands as investments. The value of timber alone accounts for about 75 per cent of some paper companies' assets.

He says: "It means you now have the ability to buy a paper company and then sell off some of the timberland to help pay off the debt from the acquisition. And if you are in the pulp and paper business, I'm not sure you need to own e lot of trees."

Several companies are now subject to bid speculation. They include Bowater of North Carolina, one of the companies with big timberland assets, which might be interesting for European or Canadian companies looking to enter the US.

Jefferson-Smurfit's shares leapt hy 13 per cent on Monday amid speculation that a Morgan Stanley leveraged equity fund was ready to sell its stake, while, earlier this year, Louisiana-Pacific had to douse speculation that it was seeking a buyer. It is involved in litigation with International Paper after hiring one of its employees as chief executive, and the company had said that it would be "on the block" if he was forced to depart.

Barring radical consolidation, the sector's best hope is to wait for global demand, particularly from China, to pick up. According to Mr Correll, of Georgia-Pacific: "Luckily, paper demand worldwlde continues to grow, so we'll grow our way ont of this mess if we don't invest ourselves right back into it."

Competition hits earnings at CNA Financial

By John Authers in New York

A sharp fall in investment income pushed first quarter profits from CNA Financial, the largest US corporate insurer, significantly below analysts' expectations.

Earnings, excluding securities transections, were $136m, or $2.18 per share. This was well below expectations of $2.37, and CNA's shares shed $1⅞ to $100⅛ in early trading.

Total income was also down, to $178m, compared with $329m in the equivalent quarter of 1996. Smaller gains on CNA's investment portfolio were responsible, with total revenues dropping from $4.3bo to $4.1bn.

Mr Dennis Chookaszian, chief executive, said the results sbowed the "cbailenging conditions" in the insurance marketplace. He sdded: "Loss retios heve deteriorated because of intensifying competition, notably in commercial property and casualty insurance."

Property and casualty premiums written were static at $2.67bn. These figures include a slight fall in CNA's commercial written premiums, down from $2.16bn to $2.15bn. While CNA is the largest operator in this market, it still had only 5.6 per cent of total written premiums at the end of 1995, according to a survey by the Insurance Informetion Institute. The survey showed that the four largest companies had only 17.1 per cent of the market between them, while the top 10 had only 31.7 per cent. The fragmented market has kept a strong downward pressure on prices.

CNA's underwriting performance weakened and its combined ratio, the technical measure which expresses total administrative expenses and claims payments as a percentage of premiums, rose from 106.7 per cent to 110.6 per cent.

However, life insurance premiums increased slightly, from $3.55bo to $3.62bn. Mr Chookaszian stressed CNA was continuing a policy of international "cootrolled growth", and had purchased a majority stake in a large Argentinian workers' compensatioo insurer during the quarter.

● The continuing boom in sales of retirement savings products and mutual funds heiped fuel strongly improved results for the Equitable Companies, a financial services conglomerate which includes Alliance Capital, the fund manager, and Donaldsoo, Lufkin & Jenrette, the investment bank.

First quarter after-tex operating profits rose 21 per cent to $132.1m, compared with 1996, on the back of revenues which increased 15 per cent to $2.2bn. Its shares fell $¼ in early trading to $29⅛.

Sales of investment products contributed most. Uocertainty caused by equity markets' heavy volatility in the early months of the year was counter-acted by demographic factors, with children horn in the post-war "baby boom" now entering their final decade before retiremeot.

New annuity premiums rose 27 per cent year on year to $647.3m, while premiums for variable life insurance, an investment product, geined 32 per cent to $112.4m. Mergers and acquisitions helped Donaldson, Lufkin & Jenrette increase profits by 33 per cent to $86.4m. Alliance Capital's operating earnings gained 18 per cent to $53.3m.

Cisco shrugs off sales fears

By Louise Kehoe in San Francisco

Cisco Systems reported a 41 per cent jump in earnings for its third quarter, despite slowing sales growth in some international markets.

The leading manufacturer of compnter networking equipment, Cisco has expanded rapidly with the spread of the Internet and corporate networks. Investors had been nervous, however, about a possible slowdown in the sector.

Cisco, however, produced results that were in line with Wall Street's expectations.

Net sales for the quarter were $1.6bn, compared with $1.1bn in the same period last year.

Net income, excluding special gains, was $358m, or 52 cents a share, up from $245.6m or 37 cents a share in the third quarter of fiscal 1996.

Cisco recorded a pre-tax gain of $32.3m from the sale of a stock investment. After taxes this added 3 cents a share, to bring total net income for the latest quarter to 55 cents a share.

Mr John Chambers, chief executive, said that weak economic conditious in Japan, Germany and France had put a damper on sales growth during tha quarter.

However, weakness in these markets may have bottomed, he edded, adding that sales were "solid" in all geographies during April.

Sales of ronters, Cisco's flagship products which direct data traffic on the Internet, also softened.

This was attributed to the imminent introduction of a new generation of faster routers which are expected to ship within the next six months.

Mr Chambers remained confident, however, that the networking equipment market would continue to grow at 30 to 50 per cent a year. Cisco's goal is to grow at or above this pace.

The company's gross margin was flat at 55.3 per cent of revennes. Cisco has said in the past that gross margins could decline in coming months.

Cisco's net sales for the first nine months of fiscal 1997 were $4.7bn, an increase of 67 per cent over $2.8bn last year.

Pro forma net income, excluding special gains and charges was $1.0bn, or $1.50 a share, versus $636.8m or 96 cents a share during the first nine months of fiscal 1996.

Since January, shares of Cisco beve fallen sharply from e 12-month high of $75¾ amid concerns about a possible slowdown.

Yesterday, bowever, Cisco's stock picked up $¾ to trade at $58 in mid-session.

COMPANIES AND FINANCE: FALL-OUT FROM BRE-X

All in the game to Suharto clan

Indonesia's first family shrugs off the debacle, but investors may be less calm

Revelations that estimates of the eize of the Busang gold field were based on falsified data follow a drawn-ont and highly political scramble for control of that area of the Indonesian half of Borneo claimed as the world's richest gold deposit.

Two children of President Suharto had teamed up with competing mining and exploration companies to gain a stake in the Busang joint venture.

International mining groups had squabbled over who was best placed to develop such a rich reserve.

And in the final arrangement – dissolved after the report on the Busang "deposits" by independent auditors Strathcona Mineral Services – an investment company linked to President Suharto and his trusted adviser Mr Mohamad "Bob" Hasan had taken control of matters, taking an indirect stake in the project, ostensibly to restore order.

But earlier this week, Mr Hasan shrugged off the months of political bickering and the bombshell Strathcona report. "It's all business. Sometimes you make money, sometimes you don't," the 65-year old confidant of the president said. "But then if you don't make any [money], you're still even."

That is not the case for many North American investors in Bre-X Minerals, the small Calgary-based Canadian exploration company which had claimed Busang's reserves could be as high as 200m ounces. They were the biggest losers in the Busang saga, with billions of dollars wiped off their investments in Bre-X shares.

However, for Nusamba – the presidential investment vehicle, headed by Mr Hasan, which controlled the local joint-venture partners in the Busang project – there were no material losses: the foundation bad not paid for the 40 per cent equity stake it was poised to take.

Nevertheless, some observers are pondering whether Mr. Suharto and his family's losses are of a more intangible variety.

Reuter

A matter of face: President Suharto (top) may suffer because the way he does business has been exposed on the world stage, while Ida Bagus Sudjana (below) is under pressure to quit

As one Jakarta business consultant, who requested anonymity, says: "We cannot measure [its] effect only from a meterial angle. It is also about loss of face. The Busang saga was a manifestation of the extent of the first family's greed."

> 'Sometimes you make money, sometimes you don't' 'Bob' Hasan

Observers are quick to point out that this is not the first time that a high-profile business deal involving presidential family members has turned sour. The past year has been littered with equally embarrassing cases which have had no discernible impact on Mr Suharto's control over government. Beginning in 1996, President Suharto was forced to revoke a licence that allowed a company owned by his grandson to charge and collect levies on bottles of beer sold on the tourist resort of Bali, following complaints from international brewers. A few months later, Mr Suharto's youngest son was awarded tax and tariff breaks not available to established investors in the country to manufacture a "national" car, arousing the ire of international car companies and prompting the US, the European Union and Japan to drag the issue to the World Trade Organisation. Yet, in what many view as an acute embarrassment, sales of the "national" car have been disappointing.

What makes Busang different, however, is that it exposed the first family's way of conducting business on a world stage, prompting concerns that the casualty in the affair will be the attitude of foreign investors towards Indonesia.

Early indications are that Mr Suharto's family has no intention of shying away from future high-profile attempts participate in the mining sector.

Rather, Busang has set a precedent for first family involvement in a sector that had not previously attracted their interest.

Instead, it is foreign exploration companies and officials in the mines and energy department which are likely to bear the brunt of the fall-out, as the ruling powers recoup any respect they may have lost by finding a scapegoat.

Exploration companies are likely to face tighter regulations; one proposal involves requiring that they conduct independent audits for the government before releasing estimates of the size of the deposits they are prospecting, a move that would significantly raise the cost of exploration in Indonesia.

In the meantime, Mr Amien Rais, head of the 20m-strong Muhammdiyah Moslem social organisation, has called on Mr Ida Bagus Sndjana, the mines and energy minister, to resign.

"Mr Sudjana must be held responsible," he says.

"It is not possible that Bre-X could go around Busang in east Kalimantan without being given the green light by some people in Jakarta."

Manuela Saragosa

Busang adds to Australian uncertainty

By Nikki Tait in Sydney

Uncertainty surronnds Australian gold shares in the wake of the extraordinary Busang debacle in Indonesia.

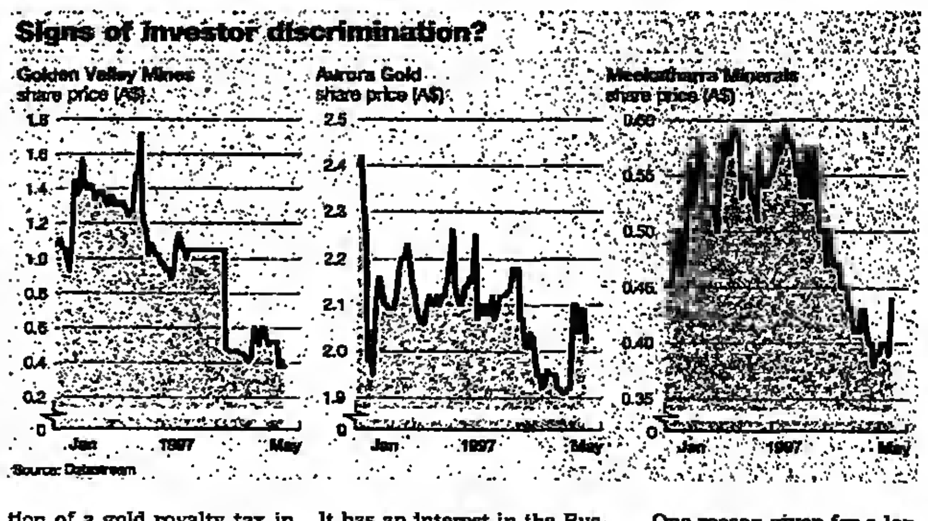
In recent years, as Indonesia has become a more accessible and fashionable exploration target, a number of Australian gold companies have acquired interests there.

Today, they range from the relatively well-established Aurora Gold, which via an Indonesian subsidiary is the largest primary producer of silver and also a sizeable gold producer, to Laverton Gold, which started mining in Sumatra this year.

Analysts are divided about the impact of the Busang affair.

"It's going to affect the sector for a long time to come," warns one Sydney-based analyst, pointing to price falls suffered by many of these shares since the doubts over the gold deposit began to circulate.

But others think the sell-off has resulted mainly from other bearish factors, such as the relatively low gold price and the imposition of a gold royalty tax in Western Australia.



"Busang is having a lesser effect," says Mr George Marias, et ABN Amro Hoare Govett, of the sector generally.

He notes that Aurora Gold's share price has regained ground recently, and suggests investors will discriminate betweeo stocks.

The Australian company most directly affected by the Busang affair is Goldeo Valley Mines, a small Perth-based exploration group.

Via an Indooesian partner, It has an interest in the Busang area, but not in the acreage which was said to contain the bulk of the resource.

When Bueang still appeared to he a winner, GVM and its partner took legal action against Bre-X in an effort to claim a stake in the other properties. Its shares soared.

GVM said this week it was seeking more information about the Strathcona test results. By yesterday, bowever, its shares had fallen to 38 ceots, compared with a peak of A$1.84.

One reason given for a longer term impact on Australian stocks is the attitude of the influential North American gold funds, which may now shy away from highly speculative situations – and anyone with Indonesian involvement in particular.

Opinions differ on how long this wariness may last. "The Bre-X situation has created a great deal of uncertainty, especially with the gold funds," admits Mr Neil Arthur, general manager at Meekatharra Minerals. But he saye: "Now that the report's out, we think they will come back into the market."

Meekatharra has every reason to hope so. It has been forced delay a planned Canadian listing of its Indonesian interests, although it now says that this will proceed.

Some companies say the Busang affair could have an upside. Mr Arthur suggests that fresh opportunities could be generated for those gronps prepared to stick with Indonesia, as others retrench. He says some new interests have been offered over the past few months – an experience echoed by Mr Ian Burston, chief executive at Aurora Gold. The company told shareholders yesterday that "appropriate sized" projects were being considered.

And while conceding that the gold funds may be more cautious for the foreseeable future, Mr Burston says that Busang should at least "bring things back to earth with a bump". Citing the soaring salaries paid as Indonesia briefly became flavour of the month, he says: "Maybe we'll see a return to normality."

COMPANIES AND FINANCE: THE ICI DEAL WITH UNILEVER

After yesterday's deal Unilever could spend up to £8bn on acquisitions. **FT reporters** assess the options for the company, look at the impact on ICI's Australian business and examine how the deal has been funded

On the trail for acquisitions

By Ross Tieman

Unilever is set to spend up to £8bn on a global acquisition spree. Mr Niall Fitzgerald, the Irish-born co-chairman of the Anglo-Dutch international foods and consumer goods company, has already earmarked the proceeds from the $8bn (£4.96bn) sale of its speciality chemical businesses to Imperial Chemical Industries – and more – for infill purchases.

"We want to push harder on our businesses in developing markets," Mr Fitzgerald said. "These are now a third of our business, having been 10 per cent 20 years ago. We want that to be 50 per cent in 10 years' time."

It sounds simple, but the percentegee conceal the scale of the ambition. Unilever had worldwide sales last year of £33.5bn, including £2.9bn from the chemicale business. Even on today'e sales, Mr Fitzgerald's target implies the desire to acquire or grow organically more than £6bn of sales in his target markets.

In doing so, Unilever hopes to build market leading positions in countries where fast-rising incomes provide the opportunity for rapid profits growth.

Unilever is already the world leeder in ice-cream, *margarine and tea, and a* vigorous number two in detergents and fragrances. These, together with personal care products, form the core of its ambitions worldwide.

Mr Fitzgerald insists that Unilever's growth has never been held back by lack of capital. "We don't feel the need to rush out and spend the money tomorrow morning," he said.

"We are reasonable confident about our ability to redeploy it for a significant advantage to shareholders. But if in a year or two we haven't been able to do that we would certainly give it back to sharehnlders."

While the alternative of returning cash to shareholders is likely to provide a useful intellectual discipline, analysts believe there is little prospect that it will happen.

They calculate that once borrowings are repaid, Unilever will have net cash of about £3bn to spend. But, according to Mr Michaal Bourke of Panmure Gordon, Unilever would probably be willing to borrow a further £5bn, lifting gearing to 50 per cent, if the need arises.

Turnover by area

(%)	1992	1996
[illegible]		
North America	20	21
[illegible]		
Asia & Pacific	9	14
[illegible]		

Source: annual report

Brokers and epeculators alika hava already begun trying to spot possible targets. Reckitt & Colman, the UK branded goods group, and CPC Group, the US manufacturer nf Hellmann'a Mayonnaise and Knorr soup, were among those mentioned yesterday. But to gain the growth in developing markets it seeks, Unilever needs far more focnsed acquisitions.

Mr Fitzgerald indicated he was willing to form alliances, partnerships and joint ventures to achieve his goal. "We have made some fairly substantial acquisitions," he said. "But it may be that these [develnping economy acquisitions] are more medium-sized businesses."

Unilever's daclared five priority growth regions are China, India, south-east Asia, southern Latin America and central and eastern Europe.

Mr Fitzgerald, who became co-chairman last year alongside Mr Morris Tabaksblatt, chairman of the Dutch arm, has signalled that he would particularly like to expand his food products and personal care products in these markets.

Mergers and acquisitions specialists are sure to bring Mr Fitzgerald and his team a wealth of possihle acquisitions. "I am eure he will *have a huge queue at his* door," said one adviser.

But sorting the sound prospects from the chaff is likely to take time.

Plastic floats: the Alkatuff polyethylene plant in New South Wales – ICI plans to sell its majority stake in ICI Australia, which also bas chemical, explosives and paint interests

Paints may be gained in swap for explosives

By Nikki Tait in Sydney and Jenny Luesby

ICI is likely to agree an asset swap with its Australian business that will see it withdraw from its explosives business, at the same time as selling its 62.4 per cent holding in ICI Australia.

The group is expected to gain ICI Australia's paints business in return for its glnbal explosives interests.

Mr Charles Miller Smith, chief executive, said yesterday that negotiations, which amounted to a "tidying up around tha deal" were still under way.

The announcement cama after the Australian stock market had closed, but ICI Australia shares were trading at about A$12.44, valuing ICI's stake at A$2.3bn (£1.1bn) and ICI Australia overall at about A$3.7bn. The group ranks as nne of Australie's top two dozen listed companies by market capitalisation.

ICI Australia said it would assist with the process, and was "not sure" whether the ICI name would ultimately be retained.

The Australian group, in which ICI has had a majority stake for 69 years, has been run fairly independently in recent years. It has a diverse range of interests, from plastics and chemicals to explosives, mining services, and consumer prodncts – including a big paint business. It also owns 72 per cent of Incitec, one of Australia'e largest suppliers of phosphatic and nitrogenous fertilisers. There has been speculation that ICI Australia might attempt to acquire the outstanding equity in Incitec.

Sales are currently concentrated in Australia, but it has established operations in Asia, acquiring a plastic film extrusion business in Malaysia last year. Mr Warren Haynes, managing director, said last week that he boped to announce more overseas deals in the next couple of *months.*

He also announced an after-tax profit of A$110.7m for the six months to March 31, on sales of A$1.69bn. This represented a 7 per cant increase over the same period a year earlier, before exceptionals. The company said it was "positive that the improvement achieved in the first half will continue". In the last full year, profit was A$197m, after exceptionals and tax.

Bonds to refinance $8bn bank loan

By Clay Harris

Imperial Chemical Industries has borrowed $8bn (£4.9bn) from three leading banks to finance its amhitious purchase of Unilever'e speciality chemicals division.

With e goodwill write-off of up to £3.5bn which could cut shareholders' funds to only £500m, ICI's net debt of *£5.6bn leaves it with pro* forma gearing of more than 1,000 per cent, a figure that would normally make the markets gasp.

But ICI's contention that the gearing was "unrepresentative" won a vote of confidence from the equity market, where its shares jumped by 43p to 757¼p, and from leading credit rating agencies. Standard and Poor's and Moody's both trimmed ICI's rating only from A to A–, where it is still higher than most other world chem*icals companies.*

The sanguine response reflected ICI'e clear strategy for reducing and refinancing the debt and its ection to hedge its interest rate exposure in the meantime.

The key is a disposal programme to raise at least £3hn over three years, a timetable the company regards as conservative. It will kick off with the sale by the autumn of a 63 per cent stake in ICI Australia, worth £1.1hn at yesterday'e prices. Flotetion or trade sale of *Tioxide, the paint pigments* maker, could bring £500m to £700m by early 1998, with polyester activities likely to fetch from £750m to £1hn through sale or joint venture within 12 months.

In the meantime, ICI will begin to refinance the fully underwritten five-year $8bn hank loan, eplit equally between Goldman Sachs, HSBC and Swiss Bank Corporation, through international bond markets. This is why retaining a rating of at least A- was crucial.

ICI's interest rate exposure on its entire debt of $9.5bn, denomineted in dollars, D-Marks and sterling, is fully hedged to keep it below 7.35 per cent, one of the largest deals ever put together in the capital markets.

This has been achieved through a mix of swaps and options which ICI's advisers believe gives it unusual flexibility to deal with different circumstances. It would not, for example, end up paying a penalty if the disposal programme went – and debt could be reduced – more quickly than expected. It also allows leeway for the effect of a downturn in ICI'e cyclical husinesses.

COMPANIES AND FINANCE: UK

Tate & Lyle sharply down after charges

By Maggie Urry

Tate & Lyle, the sugar and sweeteners group, yesterday reported sharply lower interim profits, prompting the market to downgrade profit forecasts for the year to September 30.

Although investors were warned at the annual meeting in January that the strength of sterling would affect profits, analysts were surprised by a £83.2m ($134.8m) exceptional charge and a £10.9m loss on sugar trading in Russia.

Full-year forecasts were rednced from mora than £250m pre-tax to £233m-£245m. Profits for the year to September 1996 were £276m.

In the six months tn March 29, pre-tax profits fell from £168.2m to £113.6m, or £30.4m after the exceptionals. The group said sterling's risa had knocked £17.3m from the pre-tax result.

Mr Larry Pillard, who became chief executive last November, said he had "initiated a critical review of the group" which had led to the exceptional costs. The "cash cost of these programmes will be rapidly repaid." He said the group had identified ways of saving costs in North America, by bringing together the five separate operatiog companies.

In emerging markets, Tate wrote down its investments in Ukraine, China and Bulgaria by £34.9m. Mr Simon Giffnrd, finance director, said the group had always regarded its investment in newer markets as offering high rewards, but with high risks attached.

Aside from a strong performance in its North American sugar operations, most of tha trading news was bad. Overcapacity in starch squeezed margins in North Americe and Europe. Australian cana sugar profits were "substantially down", while European animal feeds profits were hit by lower molasses prices.

The group's interim dividend will be a "foreign income dividend" since its UK earnings are insufficient to offset advance corporation tax on a normal dividend.

The underlying dividend is unchanged at 5.3p, hut shareholders will receive a "FID enhancement" of 1.325p or 25 per cent.

Supermarket group claims recent sales growth contrasts with a fall in rivals' performance

Sainsbury tumbles but sees upturn

By Peggy Hollinger

J. Sainsbury, the food retailer which has ceded market leadership to rival Tesco over the last 18 months, yesterday claimed it had turned the tide.

"Our competitors' sales are coming down while ours are going up," said Mr David Sainsbury, chairman.

Reporting a 15 per cent drop in annual pre-tax profits to £651m ($1.05bn) before exceptional charges, Mr Sainsbury said underlying food sales were rising in the first two months of the financial year, compared with e decline in the same period last year.

"Clearly the momentum is there," he said. In contrast, other food retailers such as Tesco had reported a slowdown in comparahle sales growth in the first weeks of the year.

The market welcomed the more optimistic comments from Sainsbury, which in January stunned investors with a profits warning. At the time, the company had heen unable to offer any tangible signs of recovery.

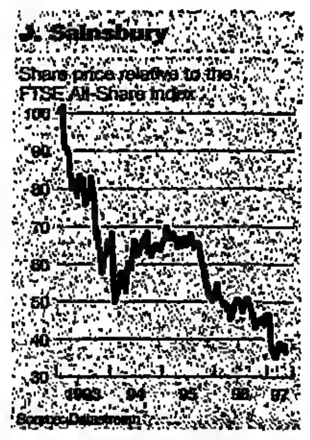
Analysts cautioned against interpreting the sales trend as evidence of a full-blown turnrnund. "They are still underperforming Tesco," said Mr Frank Davidson of HSBC James Capel.

Although Sainsbury had increased market share from 12.5 to 12.6 per cent, Tesco still dominated the sector with a 15 per cent share.

Mr Dino Adriano, chief executive, pledged that margins in the supermarket division – which fell from 7.3 to 6.2 per cent – would remain stable this year, before one-off costs. He also announced plans for cost savings over the next three years of £60m.

The results were marginally ahead of pre-tax forecasts of about £648m. The reduction, from £764m profit before exceptionals was due to a £38m hit from a petrol price war and costs of a loyalty programme.

Profits were also depressed by significant losses in recently acquired US stores. Profits from tha Sbaw's chain fell by 15 per cent to $65.2m. Excluding the new lossmaking stores in Connecticut, operating profits rose 10 per cent.



Protests top Rio Tinto agenda

By Leyla Boulton in London and Nikki Tait in Sydney

Environmental protestors yesterday dominated the annual meeting of RTZ-CRA as the world's largest mining group changed its name to Rio Tinto and pledged to embrace environmentally sustainable development.

After braving demonstrators outsida shouting "Rio Tinto stinks," Mr Robert Wilson, executive chairman, told sharehnlders the company aimed "to minimise edverse [environmental] consequences by a consistent application of best practice". But he warned that sustainable development, reconciling environment and growth, had to be implemented in a "sensible" manner which allowed for continued mining to meet human needs.

The environment's already large role in the company's operations is underlined by its accrual as of December 1996 of $484m in provisions tn meet a total projected $1.5bn liability for environmental obligations, most earmarked for restoring sites after mines close.

The vast majority of questions put to Mr Wilson at the meeting concerned the company's involvement in the Grasberg copper mine in West Papua, Indonesia, the company's application for exploration licences on the Philippines island of Mindanao, and a development under considaratinn in Madagascar.

Earlier, tbe company announced it had settled a long-running row over aboriginal land rights claims in northern Queensland, paving the way for the A$1bn Century Zinc project, which will be the world's largest zinc mine.

RTZ-CRA had already agreed to sall Century to Pasminco, the Australian zinc producer, for A$345m, but the deal was subject to the native title claims being resolved.

Environmantal protests have become something of a fixture at ths company's annual meetings. But tha company has increasingly sought to sharpen its environmental performance.

It plans to publish its first stand-alone environmental report this year and Mr Wilson said the company was open to suggestions on how it cnuld oparate in a manner "more sensitive" to social and environmental concerns.

The Prudential, Britain's largest life assurance company which has come under pressure from environmentalists for its shareholding, said it "welcomed the preparedness of the company to talk about these issues".

Commodities, Page 24

Peter Sutherland to be BP chairman

By Stefan Wagstyl

Mr Peter Sutherland, deputy chairman of British Petroleum, is to succeed Sir David Simon as non-executive chairman, following Sir David's appointment as a minister in Mr Tony Blair's government.

Mr Sutherland is being appointed on an interim basis to give the board time to select a long-term successor to Sir David.

Mr Sutherland is also chairman of Goldman Sachs International, ths London-based subsidiary of Goldman Sachs, tha US investment bank. A former EU Commissioner, he was director general of Gatt and became the first director general of its successor, the World Trade Organisation.

Sir David is leaving to become minister for trade and competitivenese in Europe with a seat in the House of Lords, where he will be the spokesman for the Treasury.

Sir David is giving up all his non-executive directorships and his place on the Court of the Bank of England.

Mr Blair hopes that Sir David'e appointment will help strengthen links with business. It could also add commercial experience to ths new ministers at the department of trade and industry, led hy Mrs Margaret Beckett, the trade and industry secretary.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Amnesco	3 mths to Mar 31	84.8□	(55□)	29.7	(15.3)	5.3†	(4.2)	-	-	-	-	6
Bellway	6 mths to Jan 31	154.4	(124.6)	17.9♥	(12.3)	10.9	(7.4)	2.7	July 1	2.55	-	8.2
Bertam	Yr to Dec 31	2.61	(2.97)	15.7♥	(2.33)	63.53†	(7.41)	4大	July 11	4	8	4
BSkyB	9 mths to Mar 31	913.1	(738.3)	215.3	(177.5)	11.9	(9.7)	-	-	-	-	5.5
Cavendish Wales‡	Yr to Dec 31	0.295	(0.285)	0.106	(0.126)	1.8	(2.1)	0.8	June 13	-	1.6	1.5
Elects Boutique	Yr to Jan 31★	74.1	(59.5)	0.495♠	(8.51L♠)	0.19†	(4.83L)	nil	-	nil	nil	nil
Grantchester	27 wks to Mar 31	2.88	(0.8)	0.845	(0.12L)	1.45	(0.92L)	-	-	-	-	-
Infobank	6 mths to Mar 31★★	10.1	(1.85)	0.819L♠	(1.11L)	5.8L†	(8.6L)	-	-	-	-	-
J Lewis Hungerford‡	6 mths to Feb 28	1.02	(0.839)	0.175	(0.139)	0.12	(-)	-	-	-	-	-
Panther Secs	Yr to Dec 31	6.83	(3.88)	2.15	(1.11)	8.4	(5.2)	1.75	June 6	1.7	3.25§	3
Phytopharm	6 mths to Feb 28	0.009	(0.842)	1.19L	(0.133)	3.86L	(0.64)	-	-	-	-	-
PolyDoc‡	Yr to Dec 31	0.625	(0.736)	0.544L	(0.261L)	3.6L†	(1.9L)	-	-	-	-	-
Rowe Evans	Yr to Dec 31	7.53	(8.79)	10.9♥	(7.25)	17.17	(10.04)	4大	Aug 1	4	4	4
Royal Bk Scotland	6 mths to Mar 31★	-	(-)	369♥	(301)	24.3	(21.3)	6.2	July 18	5.4	-	18.6
Sainsbury (J)	Yr to Mar 9	13,395	(12,627)	808♠	(712♠)	22	(26.8)	8.8	July 25	8.7	12.3	12.1
Tate & Lyle	6 mths to Mar 29	2,292	(2,406)	30.4♠	(168.2)	4.5	(26.2)	6.625大	July 15	5.3	-	17
Whitbread	Yr to Mar 1	3,027	(2,750)	302.8♠	(285.7)	50.84	(46.08)	17.55	July 16	16.1	23.8	21.85
Willis Corroon	3 mths to Mar 31	194.1□	(209.2□)	45.7	(48.1)	7	(7.3)	1.65#	July 1	1.65	-	6.6

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
City Merchants	3 mths to Mar 31	-	(-)	-	(-)	-	(-)	2.5	June 20	2.375	-	10
Dunedin Enterprise	Yr to Apr 30	-	(-)	-	(-)	-	(-)	7.1‡	June 8	5.6	9.1	7.2
Fleming Far Eastern	Yr to Mar 31 ★	306.28	(303.02)	5.13	(3.97)	3.39	(2.63)	3.35	July 18	1.3	3.35	1.3
Jos	9 mths to Apr 30	-	(-)	-	(-)	-	(-)	3.15	July 4	3.33	-	13.6
Murray Enterprise	6 mths to Mar 31	159.22	(143.4)	0.199	(0.369)	0.82	(1.52)	1	July 1	0.825	-	2.825
Nth Venture	6 mths to Mar 31★★	94.5	(94.7)	0.19	(0.204)	1.25†	(1.4)	1.2	June 19	0.75	-	2.9
Secs Tst Scotland	Yr to Mar 31 ★	112.85	(100.83)	11.5	(13.4)	3.59	(4.18)	2.62大	July 2	2.53	3.75	3.61

Figures in brackets are for corresponding period. □Total revenues. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. 大Includes foreign income dividend element. ★ Comparatives for 13 months. ★★ Comparatives for 12 months to September 30. ‡Aim stock. §Excludes 2p special. ★ Comparatives restated. #Second interim; makes 3.3p to date. ★★ Comparatives for 32 weeks. ‡Second interim in lieu of final. Earnings shown basic. Dividends shown net.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

	Provisional Price for 08.05.1997	Final Prices for Trading 10.04.1997		
1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	18.14	10.78	10.91	0.77
0100	11.82	11.81	11.81	0.00
0130	22.87	14.13	14.27	0.77
0200	19.41	18.78	18.91	0.77
0230	22.87	18.78	18.91	0.77
0300	22.87	18.78	18.91	0.77
0330	22.87	18.78	18.91	0.77
0400	22.87	18.78	18.91	0.77
0430	22.87	18.78	18.91	0.77
0500	22.87	18.78	18.91	0.77
0530	11.82	18.72	18.88	0.77
0600	11.81	18.72	18.88	0.77
0630	11.82	18.72	18.88	0.77
0700	19.42	23.11	23.25	0.77
0730	23.84	25.35	25.49	0.77
0800	28.05	25.36	25.50	0.77
0830	43.73	27.98	28.13	0.77
0900	44.18	28.00	28.16	0.77
0930	27.87	54.08	54.21	0.77
1000	30.37	54.05	54.21	0.77
1030	30.47	54.04	54.20	0.77
1100	30.48	28.00	28.18	0.77
1130	31.00	28.00	28.15	0.77
1200	36.84	25.38	25.54	0.77
1230	68.12	27.98	28.14	0.77
1300	67.30	27.98	28.13	0.77
1330	25.51	25.35	25.50	0.77
1400	23.87	27.87	28.11	0.77
1430	23.78	27.97	28.11	0.77
1500	23.88	33.24	33.38	0.77
1530	23.83	33.28	33.38	0.77
1600	23.83	23.77	23.92	0.77
1630	23.70	23.78	23.92	0.77
1700	38.53	24.84	25.00	0.77
1730	33.88	33.24	33.38	0.77
1800	22.56	33.23	33.38	0.77
1830	23.50	24.14	24.28	0.77
1900	23.49	24.14	24.28	0.77
1930	23.49	24.14	24.28	0.77
2000	11.87	24.14	24.28	0.77
2030	11.82	45.32	45.46	0.77
2100	11.87	45.32	45.47	0.77
2130	38.87	45.32	45.46	0.77
2200	38.87	45.32	45.49	0.77
2230	23.88	31.27	31.41	0.77
2300	22.87	30.64	30.78	0.77
2330	19.75	24.59	24.73	0.77
2400	18.42	22.35	22.49	0.77

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the Pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6788 between 8:30am and 5.15pm Monday to Friday.

Treasury weakness spills into Europe

GOVERNMENT BONDS

By Jane Martinson in New York and Samer Iskandar in London

The last leg of the US Treasury's quarterly refinancing, combined with data indicating higher than expected labour costs, hit US bond prices yesterday.

At mid-session the benchmark 30-year bond was ⅛ lower at 96¾, its yield pushing up to 6.926 per cent.

A $12bn auction of 10-year notes is understood to have inspired yesterday's bearishness. Tuesday's auction of three-year notes had suffered from lacklustre interest and the yield on tha new issue was expected by some traders to edge up to about 6.73 per cent, from 6.67 per cent lata Tuesday.

Unit labour costs rose to 2.7 per cent in tha first quarter, higher than earlier Treasury assumptions, as productivity increases came in below expectations.

Mr John Spinello, government securities strategist at Merrill Lynch, said: "With prodnctivity down and wages np, there's always going to be concern in the bond market".

Prices were squeezed across the maturity curve, with the two-year nots's yield rising to 6.323 per cent while that of tha 10-year note rose to 6.931 per cent.

However, Mr Bruce Steinberg, chief economist at Merrill Lynch, said the outlook was bullish over tha longer term. While it was "difficult to get much going on in bonds during an auction", weak supply because of the lower budget deficit would help lift prices over the longer term.

Weakness in the Treasury market spilled into Europe, where most markets ended flat or slightly lower. Italian and Spanish bonds, however, outperformed German bunds on hopes of imminent rate cuts by their respective central banks.

Italian BTPs closad higher, their 10-year yield spread over bunds narrowing by 4 basis points to 165 points. In London the June BTP future settled at 129.23, up 0.40.

Forecasts by Confindustria, the Italian employers' federation, tbat economic growth would be minimal or flat for the first quarter and thet consumer price inflation could slow to an annual rate of 1.5 per cent, fuelled tradars' expectations thet the Bank of Italy might resume its easing cycle.

"Now that inflation has fallan to 1.7 per cent, tha Bank of Italy is mnch closer to sanctioning an easing in monetary conditions," said Mr David Brown, chief European economist et Bear Stearns in London.

Spanish bonos also outperformed bunds, but closed almost unchanged. In Barcelona tha June future on 10-year bonos closed near the day's highs at 114.59, up 0.02, while in the cash market the 10-year yield spread over bunds tightened by 2 basis points to 94 points.

Analysts said a rate cut by the Bank of Spain was very likely next week if data due on May 14 showed subdued inflationary pressures.

UK gilt traders used the excuse of a weaker US market to take profits. The June long gilt future lost ⅛ to close at 113$\frac{9}{32}$.

Analysts said a correction was inavitable after Tuesday's record gains – the sharpest rise in more than five years. "Following the powerful rally, the sector is now vulnerable to near-term profit taking," said Mr Brown, at Bear Stearns. Market sentiment today will be driven by the Confederation of British Industry's distributive trades survey.

French and German bonds ended mostly flat as traders unwound positions ahead of the extended Ascension Day weekend, starting today.

In Paris, the June notional future gained 0.04 at 129.53, while in the cash market the 10-year benchmark OAT was 0.05 lower st 98.60.

In London, the June future on German bunds closed at 101.76, down 0.10.

Complex loan for Chinese metals group

By Edward Luce

Crédit Lyonnais has arranged a $180m 10-year loan to China's state metals company – the longest-term syndicated loan extended to a Chinase corporata borrower.

The facility has been locked in at tha current Libor (London intarbank offer rate) of 6.75 per cent, plue 175 basis points for years one to three, rising to 200 points for the next three years and then 225 points up to year 10. Tha loan was described by syndicate officials as one of the most complex structures of its kind.

Sino Mining Alumina, a wholly-owned offshore subsidiary of China National Nonferrous Metals Corp – the state metals company – will use the money to help fund purchases of alumina, the material used to produce aluminium.

The deal, which has been underwritten by a syndicate of 12 banks led by Crédit Lyonnais, follows a landmark agreement earlier this year between CNNC and Alcoa, the US company which is the world's largest supplier of alumina.

Under the agreement, Alcoa will supply 400,000 tonnes of alumina a year to China for 30 years. The alumina will be converted into aluminium for the Chinese market. The loan will help service payments to Alcoa.

"The deal is innovative in a number of ways," said Mr Chris Mason, managing director of Crédit Lyonnais Rouse Derivatives. "As a conditiun of the loan, we required Sino Mining to take out a nominal hedge of $435m on aluminium prices for the next five years. We have also hedged interest rates for the duration of the loan."

The hedging requirement is unusual in a climate in which it is often the borrowar who dictates the terms. Syndicate officials said the measure was essential in a market where prices are so volatile. The cost of alumina, which closely tracks the aluminium spot market, has fluctuated from $120 a tonne to $340 a tonne in the last three years.

Chineee government approval of the loan was expedited by the fact that Sino Mining is an offshore entity, incorporated in the Cayman Islands. One official said it was less bureaucratic to lend to an offshore subsidiary than directly to a state company in China.

The deal provides both CNNC – China's sole buyer of alumina – and Alcoa with long-term contractual security. From Alcoa's point of view, CNNC has guaranteed to buy e large proportion of its output for the next 30 years.

Alcoa, in turn, has guaranteed to cap the volatility of alumina prices, ensuring the cost for CNNC will fluctuate less wildly than if it had gone to the spot market.

"Tha contract is large enough to take a significant amount of volatility out of the spot market," one analyst said. "China is one of the world's largest buyers."

The contract, named Project Snow, includes provisions to increase the alumina supply to 1m tonnes a year – about 70 per cent of China's annual shortfall.

Strong demand for five-year dollar deals

INTERNATIONAL BONDS

By Edward Luce

The eurobond market continued to take advantage of the narrow window between last week's public holidays and next week's US data releases with a flood of medium-sized dollar issues.

Officals at Goldman Sachs, joint lead with CSFB of the banchmark dollar issne from German bank LGK, attributed the strong demand for five-year dollar deals to the flat Treasury yield curve.

They said the maturity suited LGK's target investor base, including European retail investors and Asian central banks. The $500m deal, which was priced to yield 13 basis points over the five-year Treasury, was trading at its re-offer price on the secondary market after launch.

One official said LGK – a German Landesbank owned by Stuttgart and Baden-Württemberg – had been "keen to issue a benchmark for some time and this was a good opportunity".

Associates, one of the largest independent US finance companies, also spotted e good benchmark opening, issuing $500m of five-year floating rate notes. Lead managed by J.P. Morgan and Morgan Stanley, the deal was offered at 10 basis points over three-month Libor (London interbank offered rate). The notes will be listed in Asia and Europe.

Officials said thet Associates had been encouraged by the response to its debut $600m fixed-rate euro-dollar deal last September, which has narrowed to just 34 basis points over five-year Treasuries.

"There's very little demand at the 10-year end of tha curve, and two-year to three-year deals just don't have tha coupon levels to attract retail investors," said one official. "The Associates bond was popular with retail investors: It's rare to see Libor plus 10 basis points for an Aa3 rsted issuer."

Morgan Guaranty also tapped tha five-year maturity with a $500m offering priced to yield 18 basis points over Treasuries. Officials at J.P Morgan, sole lead manager, said it was trading at the re-offer price after launch. "Morgan Guaranty normally does two-year or three-year deals bui it wanted to capture the larger institutional investors this time," said an official.

Sitcars Funding, a special purpose vehicle set up by Sitca, the Thai finance house, launched Thailand's first asset-backed bond since the banking crisis earlier this year. The $83m deal, collateralised by Thai motor vehicle loans, was underwritten by ING Barings.

"The response to the Sitcars offering is a powerful demonstration of how securitisation can work in a difficult corporate environment," said an official. The average duration is 1.5 years. It was mostly pre-placed with European institutions.

Argentina issued its first lira-denominated floater. Led by Deutsche Morgan Grenfell, the L500bn deal was priced to yield 160 basis points over Libor.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
AT&T UCMT, Class A(a)‡	850	(a1)	(a1)	Apr 2002	-	-	Lehman Brothers
LGK	500	6.75	99.80R	May 2002	0.25R	+13(6%Apr02)	CSFB/Goldman Sachs
Morgan Guaranty Tst Co NY	500	6.75	99.616R	May 2002	0.25R	+18(6%Apr02)	JP Morgan Securities
Assocs Corp of N America‡	500	(b)	99.837R	May 2002	0.20R	-	JP Morgan/M Stanley
Unibank(c)‡	200	(c1)	100.00	May 2007	0.555	-	JP Morgan Securities
Hitachi Finance	150	6.625	99.89R	Jun 2000	0.1875R	+12(6%May00)	Goldman Sachs/IBJ Intl
Byblos Bank	100	8.75#	99.88R	May 2002	1.125R	+220(6⅝%-02)	ABN Amro/Merrill
Fumas Centrais Electr(d)	90	9.00#	99.678R	May 2005	0.625R	+243(6⅝%-02)	JP Morgan Securities
Sitcars Funding(e)‡	83	(e1,s)	100.00	Apr 2002	0.40	-	ING Barings
D-MARKS							
LW Rentenbank(f)	250	4.25	99.53R	Jun 2001	0.225R	+5(5%May01)	ING Barings
YEN							
T-Dual(l,s)★	25bn	5.20#	100.00	Feb 2000	1.615	-	Daiwa Europe
STERLING							
Parcs, Series 1(g)‡	128.9	(g1)	100.00	Apr 2004	0.15	-	Citibank International
ITALIAN LIRE							
Parmalat Finance‡	650bn	(h)	100.00R	Jun 2001	0.30R	-	Credito Italiano
Republic of Argentina‡	500bn	(j)	99.90R	May 2004	0.40R	-	Deutsche Morgan Grenfell
World Bank(k)‡	175bn	(k1)	100.00R	Jun 2007	0.35R	-	Cariplo
NEW ZEALAND DOLLARS							
Kingdom of Sweden	100	7.75	101.22	Jun 2002	2.00	-	Hambros Bank
RAND							
World Bank(m)	200	15.25	100.75	Jun 1998	1.00	-	Hambros Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Universal Card Master Trust. Legal maturity: 19/4/04. a1) Priced later: 3-mth Libor +8–9bp. a2) Class B: $80m, 17/4/02 expected, 3-mth Libor +28–29bp. b) 3-mth Libor +6¼bp. c) Callable from May 04 at par. c1) 3-mth Libor +40bp to May 04, then +190bp. d) Callable & puttable on 23/5/02 at par. e) Indirectly secured by Thai baht loan/lease receivables. Average life: 1.5 yrs. e1) 3-mth Libor +18bp. f) Redeemed in US$. g) Backed by commercial mortgages. Expected maturity: 4.83 yrs. Average life: 3.58 yrs. g1) 3-mth Libor +24bp. g2) Series 2: £3.7m, 3-mth Libor +40bp, par, av life 4.83 yrs. h) 3-mth Libor +37½bp. j) 3-mth Libor +160bp. k) Callable from Jun 00 at par. k1) 12-mth Libor +20bp, max 6¼%. l) Long 1st coupon. m) R200m launched on Tuesday was increased to R400m. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	93.0354	–0.570	7.80	7.85	8.04
Austria		5.750	04/07	99.8900	–0.140	5.78	5.82	5.82
Belgium		6.250	03/07	102.7400	–0.080	5.87	5.94	6.01
Canada *		7.000	12/06	102.6700	–0.630	6.58	6.65	6.65
Denmark		8.000	03/06	110.4500	+0.030	6.41	6.50	6.69
France	BTAN	4.750	03/02	100.1224	–	4.72	4.75	4.84
	OAT	5.500	04/07	98.6000	–0.050	5.69	5.75	5.77
Germany Bund		6.000	01/07	101.8800	–0.140	5.74	5.82	5.90
Ireland		8.000	08/06	108.7600	–0.200	6.69	6.73	6.90
Italy		6.750	02/07	96.3000	+0.180	7.29†	7.50	7.73
Japan	No 145	5.500	03/02	117.0947	+0.044	1.70	1.60	1.47
	No 182	3.000	09/05	103.9996	–0.040	2.43	2.35	2.28
Netherlands		5.750	02/07	100.7200	–0.120	5.65	5.74	5.76
Portugal		9.500	02/06	118.8000	–	6.60	6.71	7.00
Spain		7.350	03/07	104.4000	+0.010	6.71	6.61	7.10
Sweden		8.000	08/07	106.2796	+0.222	7.11	7.31	7.37
UK Gilts		7.000	06/02	100–01	–9/32	6.99	7.14	7.32
		7.250	12/07	101–00	–6/32	7.11	7.45	7.59
		9.000	10/08	114–01	–5/32	7.16	7.54	7.66
US Treasury *		6.250	02/07	96–24	–9/32	6.71	6.73	6.80
		6.625	02/27	96–07	–13/32	6.93	6.96	7.00
ECU (French Govt)		7.000	04/06	106.5900	–0.020	6.02	6.06	6.23

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	6.32
Prime rate	8½	Two month	-	Three year	6.47
Broker loan rate	7¾	Three month	5.24	Five year	6.58
Fed.funds	5¾	Six month	5.58	10-year	6.70
Fed.funds at intervention	-	One year	5.90	30-year	6.92

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	129.52	129.52	+0.04	129.66	129.46	70,743	152,669
Sep	128.00	127.86	+0.04	128.06	127.84	1,393	10,580
Dec	97.54	97.40	–0.08	97.54	97.54	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jun	Calls Jul	Calls Sep	Puts Jun	Puts Jul	Puts Sep
127	2.54	1.52	1.95	0.07	0.59	1.02
128	1.67	0.88	1.34	0.16	0.94	1.40
129	0.95	0.45	0.87	0.39	1.51	1.92
130	0.30	0.16	0.53	0.82	-	-
131	0.07	0.05	0.29	1.58	-	-

Est. vol. total, Calls 4,034 Puts 16,013. Previous day's open int., Calls 159,604 Puts 152,302.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	101.60	101.76	-0.10	101.85	101.67	102072	267146
Sep	100.76	100.75	-0.10	100.76	100.70	2333	24157

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
10150	0.54	0.40	0.62	0.78	0.28	1.15	1.37	1.53
10200	0.27	0.25	0.45	0.58	0.51	1.50	1.70	1.83
10250	0.12	0.15	0.31	0.42	0.86	1.90	2.06	2.17

Est. vol. total, Calls 11618 Puts 14307. Previous day's open int., Calls 201902 Puts 237888

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	128.75	129.23	+0.40	129.35	128.61	60235	109965
Sep	129.57	129.50	+0.40	129.57	129.36	198	6575

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
12900	0.86	2.38	0.63	1.88
12950	0.60	2.12	0.87	2.12
13000	0.39	1.86	1.16	2.36

Est. vol. total, Calls 5806 Puts 5976. Previous day's open int., Calls 112721 Puts 119171

Spain

■ NOTIONAL SPANISH BONO FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	114.40	114.59	+0.02	114.87	114.33	75,286	74,433
Sep	–	113.60	-	–	–	1,208	1,117

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	113-08	113-09	-0-04	113-16	113-01	104350	197042
Sep	113-14	113-15	-0-01	113-17	113-08	1961	4699

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
113	0-54	1-33	1-58	2-16	0-36	1-03	1-28	1-50
114	0-24	1-01	1-27	1-48	1-06	1-35	1-61	2-16
115	0-10	0-43	1-01	1-22	1-56	2-13	2-35	2-56

Est. vol. total, Calls 8334 Puts 6123. Previous day's open int., Calls 89956 Puts 27324

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	95.08	95.16	+0.16	95.20	95.04	22	5,673
Sep	-	94.80	+0.16	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	110–02	109–26	–0–09	110–03	109–24	299,259	477,727
Sep	109–14	109–11	–0–11	109–16	109–12	14,347	60,410
Dec	109–03	109–03	–0–07	109–03	109–03	780	8,666

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	124.46			124.65	124.36	4705	n/a
Sep	123.17			123.28	123.08	2816	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Wed May 7	Day's change %	Tue May 6	Accrued interest	xd adj. ytd
1 Up to 5 years (19)	120.39	–0.10	120.52	2.33	4.14
2 5-15 years (21)	153.66	–0.17	153.92	3.49	3.12
3 Over 15 years (6)	179.56	–0.14	179.61	5.63	3.16
4 Irredeemables (5)	208.58	0.63	207.29	4.94	2.37
5 All stocks (51)	147.54	–0.14	147.74	3.45	3.60
Index-linked					
6 Up to 5 years (2)	204.67	–0.16	205.00	0.58	3.03
7 Over 5 years (10)	197.95	–0.52	198.67	1.52	2.32
8 All stocks (12)	197.59	–0.48	198.54	1.41	2.37

UK Indices

	Low coupon yield May 7	Low May 6	Low Yr. ago	Medium coupon yield May 7	Medium May 6	Medium Yr. ago	High coupon yield May 7	High May 6	High Yr. ago
5 yrs	6.99	6.93	7.65	7.06	6.99	7.69	7.10	7.03	7.61
15 yrs	7.16	7.17	8.40	7.18	7.17	8.42	7.23	7.14	8.50
20 yrs	7.21	7.24	8.47	7.16	7.16	8.47	7.23	7.14	8.54
Irred.†	7.33	7.38	8.51						

	Inflation 5% May 7	May 6	Yr. ago	Inflation 10% May 7	May 6	Yr. ago
Up to 5 yrs	3.29	3.23	2.67	2.67	2.62	1.31
Over 5 yrs	3.54	3.50	3.80	3.35	3.30	3.60

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	May 7	May 6	May 2	May 1	Apr 30	Yr ago	High*	Low*
Govt. Secs. (UK)	96.64	95.90	94.65	94.43	94.59	91.57	96.80	93.31
Fixed Interest	119.16	118.83	117.31	117.21	117.03	111.46	120.16	115.32

Gilt Edged Activity Indices

	May 6	May 2	May 1	Apr 30	Apr 29
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. Gilt Edged volume data will be unavailable until the end of May.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
[illegible]						

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on May 7

	Issued	Bid	Offer	Chg	Yield
[illegible]					

CURRENCIES AND MONEY

Dollar dips on talk of intervention

MARKETS REPORT

By Simon Kuper

The dollar fell yesterday on a report that Japan, Germany and the US had prepared on Tuesday night to sell large amounts of the currency in the market.

The report by the Japanese news service Kyodo quoted "an international financial source" as saying the intervention was called off after the US requested to watch the dollar's movements for longer.

But the report said Japan still sought joint intervention "when necessary". The Bank of Japan and the Bundesbank refused to comment on the report.

A ministry of finance official said Japan could use its $220bn of foreign exchange reserves promptly in the market if needed. Earlier, Mr Eisuke Sakakibara, director general of the ministry's international finance bureau, had said it would be hard to procure funds for intervention directly from the money market.

The dollar lost Y0.5 against the yen and 0.3 pfennigs against the D-Mark, closing in London at Y124.9 and DM1.720.

The markets have been worried for weeks that Japan and possibly the US might intervene to weaken the dollar. The Group of Seven industrialised nations said in a statement on exchange rates after its Washington summit on April 27 that "excess volatility and significant deviations from fundamentals are undesirable". The dollar has risen since the autumn.

Most in the market took the Kyodo report with a pinch of salt. Mr Carl Weinberg, chief economist at High Frequency Economics in New York, said: "Am I going to bet the ranch on it? No. Am I going to keep my eye on the horizon? Yes." But he pointed out that intervention often comes on days of low volumes – and European markets are shut today.

■ The short sterling futures market often moves in surprising ways. On Tuesday it again flew in the face of conventional economic wisdom. Yesterday it corrected itself.

On Tuesday futures contracts soared after Mr Gordon Brown, the UK chancellor, gave the Bank of England the right to set interest rates. The March 1999 contract jumped 23 basis points, and most 1997 contracts rose sharply too. The market seemed to be betting that with the Bank taking a tough line on inflation, base rates would be lower than they would have under a chancellor.

Yet almost every market economist in London was predicting the opposite: that the Bank would set higher rates than a chancellor would have.

Yesterday the futures market caught up with this view. Contracts fell, with the September 1998 contract down 10 points. That occurred even though UK industrial output for March emerged weak, apparently reducing the chance of further rate rises.

If the Bank will indeed be quick to raise rates, why did the contracts jump on Tuesday? Mr Philip Shaw, chief economist at Union Discount in London, said: "The entire short sterling strip was caught up in the euphoria of Bank of England independence yesterday, and benefited from the rise in the gilts." In short, Tuesday's rise was irrational.

■ The Bank may look at different indicators than chancellors did when setting interest rates. Mr Shaw pointed to the Bank's concerns with monetary aggregates and house prices, both evident from minutes of monetary policy meetings. Mr Weinberg notes the Bank's obsession in recent months with monetary and cost indicators. Economists say the Bank might be less concerned than chancellors were with output data.

Mr Nick Parsons, currency strategist at Paribas Capital Markets, disputed the mainstream view that the Bank would be more likely than a chancellor to raise rates. Most economists cite the frequent requests for a rate rise made by Mr Eddie George, governor of the Bank of England, to Mr Kenneth Clarke, the previous chancellor. But Mr Parsons points out that Mr George's job has changed. He is no longer the hawk on a politician's shoulder. "Before Mr George had to advise. Now he has to act, and so we'll see a less hawkish stance," said Mr Parsons.

■ Pound in New York

May 7	—Latest—	– Prev. close –
£ spot	1.6370	1.6330
1 mth	1.6362	1.6326
3 mth	1.6344	1.6309
1 yr	1.6280	1.6241

■ OTHER CURRENCIES

May 7	£	$
Czech Rp	50.1434 - 50.2232	30.6500 - 30.6800
Hungary	297.738 - 298.000	181.890 - 182.040
Iran	4911.00 - 4908.00	3000.00 - 3000.00
Kuwait	0.4972 - 0.4976	0.3039 - 0.3040
Poland	5.1640 - 5.1713	3.1565 - 3.1590
Russia	9410.27 - 9420.94	5752.00 - 5755.00
U.A.E.	6.0085 - 6.0127	3.6727 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

May 7		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.8050	-0.0434	936 - 164	19.8720	19.7496	19.7515	3.2	19.6635	2.9	-	-	103.4
Belgium	(BFr)	58.0794	-0.1263	289 - 299	58.2900	57.9300	57.9244	3.2	57.6094	3.2	56.1794	3.3	103.1
Denmark	(DKr)	10.7124	-0.0311	075 - 173	10.7569	10.6834	10.6869	2.9	10.6344	2.9	10.4129	2.8	105.9
Finland	(FM)	8.4742	-0.0159	655 - 829	8.5100	8.4550	-	-	-	-	-	-	82.2
France	(FFr)	9.4929	-0.0256	896 - 962	9.5310	9.4730	9.4687	3.1	9.4208	3.0	9.1982	3.1	105.9
Germany	(DM)	2.8138	-0.0061	123 - 153	2.8247	2.8049	2.8062	3.2	2.7902	3.4	2.7199	3.3	104.7
Greece	(Dr)	446.912	-1.247	677 - 147	449.684	445.740	-	-	-	-	-	-	65.5
Ireland	(I£)	1.0832	-0.0057	820 - 843	1.0878	1.0812	1.0833	-0.1	1.0823	0.3	1.0753	0.7	89.1
Italy	(L)	2783.60	-10.65	202 - 519	2796.32	2779.91	2785.3	-0.7	2788.7	-0.4	2790.55	-0.2	73.1
Luxembourg	(LFr)	58.0794	-0.1263	289 - 299	58.2900	57.9300	57.9244	3.2	57.6094	3.2	56.1794	3.3	103.1
Netherlands	(Fl)	3.1653	-0.0067	637 - 668	3.1768	3.1580	3.1568	3.2	3.1388	3.3	3.0807	3.3	102.8
Norway	(NKr)	11.6568	-0.0251	516 - 620	11.7081	11.5869	11.6263	3.1	11.5668	3.1	11.3208	2.9	98.7
Portugal	(Es)	282.828	-0.721	701 - 956	283.858	281.973	282.678	0.6	282.303	0.7	-	-	94.2
Spain	(Pta)	237.368	-0.8	269 - 468	238.490	236.780	237.206	0.8	236.768	1.0	234.011	1.4	77.8
Sweden	(SKr)	12.6601	-0.1233	500 - 701	12.8074	12.6378	12.6396	2.0	12.5906	2.2	12.3968	2.1	84.0
Switzerland	(SFr)	2.3875	-0.0086	859 - 890	2.3958	2.3793	2.3782	4.7	2.359	4.8	2.2751	4.7	104.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	100.3
Ecu	-	1.4435	-0.0031	426 - 443	1.4495	1.4370	1.4408	2.2	1.4349	2.4	1.4078	2.5	-
SDR†	-	1.19864	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6363	-0.0001	357 - 368	1.6393	1.6297	-	-	-	-	-	-	-
Brazil	(R$)	1.7427	+0.0004	420 - 434	1.7454	1.7355	-	-	-	-	-	-	-
Canada	(C$)	2.2604	+0.0041	592 - 615	2.2648	2.2449	2.2542	3.3	2.2427	3.1	2.201	2.6	84.9
Mexico	(New Peso)	12.9605	+0.059	375 - 634	12.9814	12.8844	-	-	-	-	-	-	-
USA	($)	1.6365	-0.0001	360 - 370	1.6396	1.6299	1.6358	0.7	1.6339	0.6	1.6272	0.6	105.2
Pacific/Middle East/Africa													
Australia	(A$)	2.1104	+0.0048	088 - 120	2.1172	2.1009	2.1098	0.3	2.1079	0.5	2.0978	0.6	97.6
Hong Kong	(HK$)	12.6763	-0.0081	716 - 810	12.6995	12.6263	12.6703	0.6	12.6597	0.5	12.625	0.4	-
India	(Rs)	58.6964	+0.0488	424 - 503	58.7990	58.4640	-	-	-	-	-	-	-
Israel	(Shk)	5.5662	-0.0045	588 - 735	5.5754	5.5533	-	-	-	-	-	-	-
Japan	(Y)	204.309	-0.937	173 - 445	206.390	203.780	203.249	6.2	201.239	6.0	192.424	5.8	121.9
Malaysia	(M$)	4.1085	+0.0072	064 - 105	4.1196	4.0953	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3899	+0.0085	883 - 915	2.3964	2.3842	2.3897	0.1	2.3907	-0.1	2.3979	-0.3	114.7
Philippines	(Peso)	43.1422	+0.0014	922 - 922	43.1950	43.0049	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1377	-0.0004	357 - 397	6.1486	6.1141	-	-	-	-	-	-	-
Singapore	(S$)	2.3667	-0.0003	652 - 682	2.3704	2.3574	-	-	-	-	-	-	-
South Africa	(R)	7.2914	+0.0011	867 - 961	7.3068	7.2612	-	-	-	-	-	-	-
South Korea	(Won)	1464.67	-0.99	013 - 921	1469.31	1458.60	-	-	-	-	-	-	-
Taiwan	(T$)	45.3884	-0.0027	338 - 431	45.4612	45.2069	-	-	-	-	-	-	-
Thailand	(Bt)	42.6636	-0.0026	342 - 930	42.7490	42.5080	-	-	-	-	-	-	-

† Rates for May 6. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the Internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 7		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	12.1021	-0.0257	988 - 053	12.1430	12.0630	12.0874	1.5	12.0421	2.0	11.8471	2.1	103.2
Belgium	(BFr)	35.4900	-0.075	700 - 100	35.6320	35.4440	35.43	2.0	35.3025	2.1	34.7625	2.0	103.1
Denmark	(DKr)	6.5459	-0.0166	449 - 469	6.5763	6.5377	6.537	1.6	6.5186	1.7	6.4369	1.7	105.2
Finland	(FM)	5.1783	-0.0094	745 - 820	5.2001	5.1735	5.1695	2.0	5.1508	2.1	5.0683	2.1	82.0
France	(FFr)	5.8008	-0.0152	006 - 010	5.8240	5.7945	5.7901	2.2	5.7691	2.2	5.6608	2.4	105.4
Germany	(DM)	1.7194	-0.0037	190 - 198	1.7288	1.7170	1.7162	2.2	1.7097	2.3	1.676	2.5	104.4
Greece	(Dr)	273.090	-0.745	030 - 150	274.340	272.660	274.645	-6.8	277.215	-6.0	288.24	-5.5	65.3
Ireland	(I£)	1.5109	+0.0079	087 - 120	1.5130	1.5035	1.5104	0.4	1.5099	0.3	1.5112	0.0	-
Italy	(L)	1700.95	-6.4	050 - 140	1709.17	1699.00	1703.95	-2.1	1708.8	-1.8	1718.6	-1.0	75.8
Luxembourg	(LFr)	35.4900	-0.075	700 - 100	35.6320	35.4440	35.43	2.0	35.3025	2.1	34.7625	2.0	103.1
Netherlands	(Fl)	1.9342	-0.004	338 - 345	1.9421	1.9314	1.9304	2.4	1.9224	2.4	1.8868	2.4	102.7
Norway	(NKr)	7.1230	-0.0149	220 - 240	7.1500	7.0935	7.1193	0.6	7.1136	0.5	7.088	0.5	98.1
Portugal	(Es)	172.825	-0.43	800 - 850	173.360	172.660	172.955	-0.9	173.105	-0.6	172.84	0.0	94.7
Spain	(Pta)	145.045	-0.48	030 - 060	145.770	145.030	145.135	-0.7	145.255	-0.6	145.05	0.0	77.8
Sweden	(SKr)	7.7361	-0.0749	323 - 398	7.8279	7.7258	7.7339	0.4	7.7235	0.7	7.6761	0.8	83.1
Switzerland	(SFr)	1.4589	-0.0052	584 - 594	1.4644	1.4543	1.4542	3.9	1.4447	3.9	1.3992	4.1	104.1
UK	(£)	1.6365	-0.0001	360 - 370	1.6396	1.6299	1.6358	0.7	1.6339	0.6	1.6272	0.6	100.2
Ecu	-	1.1336	+0.0024	334 - 341	1.1356	1.1290	1.1349	-1.2	1.1375	-1.3	1.1527	-1.7	-
SDR†	-	0.73131	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0649	+0.0003	648 - 650	1.0650	1.0648	-	-	-	-	-	-	-
Canada	(C$)	1.3812	+0.0025	809 - 815	1.3819	1.3741	1.3783	2.5	1.3731	2.3	1.3517	2.1	84.1
Mexico	(New Peso)	7.9135	+0.0365	080 - 190	7.9190	7.8070	8.0315	-17.9	8.298	-19.4	9.1585	-15.7	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	106.0
Pacific/Middle East/Africa													
Australia	(A$)	1.2896	+0.003	890 - 902	1.2913	1.2880	1.2903	-0.7	1.2911	-0.5	1.2964	-0.5	100.1
Hong Kong	(HK$)	7.7460	-0.0014	455 - 465	7.7470	7.7450	7.7459	0.0	7.7465	0.0	7.7575	-0.1	-
India	(Rs)	35.8670	+0.032	450 - 890	35.8900	35.8450	36.082	-7.2	36.542	-7.5	-	-	-
Israel	(Shk)	3.4007	-0.0025	966 - 047	3.4054	3.3965	-	-	-	-	-	-	-
Japan	(Y)	124.845	-0.585	800 - 890	125.800	124.600	124.31	5.1	123.285	5.0	118.485	5.1	122.2
Malaysia	(M$)	2.5105	+0.0045	100 - 110	2.5135	2.5070	2.5133	-1.4	2.5187	-1.3	2.54	-1.2	-
New Zealand	(NZ$)	1.4604	+0.0053	599 - 609	1.4628	1.4590	1.4627	-1.9	1.467	-1.8	1.4877	-1.9	-
Philippines	(Peso)	26.3825	+0.0025	400 - 850	26.3850	26.3400	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	504 - 506	3.7507	3.7504	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4482	-0.0001	457 - 487	1.4478	1.4451	1.444	1.9	1.4394	1.9	1.4182	1.9	-
South Africa	(R)	4.4555	+0.001	540 - 570	4.4585	4.4530	4.4962	-11.0	4.5712	-10.4	4.886	-9.7	-
South Korea	(Won)	895.000	-	500 - 500	898.100	892.400	-	-	-	-	-	-	-
Taiwan	(T$)	27.7350	-	100 - 600	27.7680	27.6700	27.7351	0.0	27.7359	0.0	-	-	-
Thailand	(Bt)	26.0700	-	600 - 800	26.0880	26.0580	26.16	-4.1	26.3275	-4.0	28.965	-3.4	-

† SDR rate per $ for May 6. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 6: Base average 1990=100.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

May 7	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3¼	3¼	3¼	3¾	8.00	2.50	-
France	3¼	3¼	3¼	3½	3⅝	3.10	-	4.75
Germany	3¼	3¼	3¼	3¼	3⅜	4.50	2.50	3.00
Ireland	5[illegible]	6¼	6¼	6½	6¾	-	-	6.75
Italy	7[illegible]	6[illegible]	6[illegible]	6¾	6¾	8.25	6.75	7.34
Netherlands	3¼	3¼	3¼	3¼	3[illegible]	-	3.00	3.30
Switzerland	1[illegible]	1½	1½	1[illegible]	1½	-	1.00	-
US	5½	5[illegible]	5¾	5[illegible]	6[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	½	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5[illegible]	5[illegible]	6	6[illegible]	-	-	-
US Dollar CDs	-	5.51	5.63	5.74	6.01	-	-	-
ECU Linked Ds	-	4[illegible]	4[illegible]	4½	4[illegible]	-	-	-
SDR Linked Ds	-	3½	3½	3½	3[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

May 7	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3¾ - 3¼	[illegible]	3¼ - 3⅛	[illegible]	[illegible]	3½ - 3⅜
Danish Krone	[illegible] - 3¼	[illegible] - 3½	3⅝ - 3½	3⅝ - 3½	3¾ - [illegible]	[illegible]
German Mark	3⅛ - 2[illegible]	[illegible]	3⅛ - 2⅞	3¼ - 3	[illegible]	3⅜ - 3¼
Dutch Guilder	3⅜ - 3⅛	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	3¾ - [illegible]	[illegible]	3⅜ - 3¼	3½ - 3⅜	[illegible]	3⅝ - 3½
Portuguese Esc.	5⅞ - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5½ - [illegible]
Spanish Peseta	5½ - [illegible]	5½ - [illegible]	[illegible]	5⅜ - [illegible]	[illegible]	[illegible] - 5¼
Sterling	[illegible]	[illegible]	[illegible] - 6¼	[illegible] - 6⅜	6⅝ - [illegible]	[illegible]
Swiss Franc	1⅝ - 1⅛	1¾ - 1½	[illegible]	[illegible]	1⅞ - 1¾	2 - 1¾
Canadian Dollar	[illegible]	3⅛ - 3	[illegible]	3⅜ - 3⅛	3⅝ - 3⅜	4⅛ - 3⅞
US Dollar	5¾ - 5⅝	[illegible]	5⅝ - 5½	[illegible]	[illegible]	6¼ - 6⅛
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	½ - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	3½ - 3⅜	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3½ - 3⅜	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.37	96.34	-	96.38	96.33	36,199	72,928
Sep	96.44	96.44	+0.02	96.46	96.42	21,759	53,590
Dec	96.44	96.44	+0.02	96.47	96.42	10,075	35,576

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.79	96.78	-0.01	96.79	96.76	12250	232704
Sep	96.74	96.72	-0.02	96.74	96.72	17047	210702
Dec	96.60	96.59	-0.01	96.60	96.58	14693	234631
Mar	96.46	96.46	-0.01	96.48	96.45	14097	192007

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
May	96.81	96.81	-	96.81	96.81	60	4192
Jun	96.80	96.80	-	96.80	96.80	10	725
Jul		96.79	-			0	300
Aug		96.78	-			0	5

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.26	93.25	-0.02	93.26	93.23	12936	110850
Sep	93.55	93.55	-0.01	93.58	93.51	7285	76353
Dec	93.67	93.69	-	93.71	93.66	4884	53041
Mar	93.68	93.73	+0.01	93.76	93.68	3706	34406

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.16	98.12	-0.04	98.16	98.09	8148	55485
Sep	98.15	98.12	-0.03	98.15	98.08	5873	35661
Dec	98.04	98.01	-0.03	98.04	97.98	3035	23139
Mar	97.89	97.91	-0.04	97.91	97.87	347	9429

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		99.34	-			0	n/a
Sep		99.15	-			0	n/a
Dec	98.95	98.94	+0.01	98.95	98.95	100	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.83	95.82	-0.02	95.84	95.80	393	7699
Sep	95.83	95.82	-0.01	95.83	95.81	489	5409
Dec	95.74	95.74	+0	95.74	95.73	220	5582
Mar	95.65	95.65	-0.02	95.66	95.65	23	3747

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9325	0.13	0.46	0.64	0.13	0.16	0.20
9350	0.04	0.29	0.47	0.29	0.24	0.28
9375	0.01	0.17	0.33	0.51	0.37	0.39

Est. vol. total, Calls 1000 Puts 851. Previous day's open int., Calls 146936 Puts 73145

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 7		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.44	16.34	4.845	1.865	4793	5.449	20.08	486.9	408.7	21.80	4.112	1.722	3.891	2.817	351.8	2.486
Denmark	(DKr)	54.23	10	8.864	2.627	1.011	2599	2.955	10.89	264.1	221.7	11.82	2.230	0.934	2.110	1.528	190.8	1.348
France	(FFr)	61.18	11.28	10	2.964	1.141	2933	3.334	12.28	297.9	250.1	13.34	2.518	1.053	2.381	1.723	215.2	1.521
Germany	(DM)	20.64	3.806	3.373	1	0.385	989.3	1.125	4.144	100.5	84.38	4.499	0.849	0.355	0.803	0.581	72.60	0.513
Ireland	(I£)	53.63	9.889	8.765	2.598	1	2571	2.922	10.77	261.1	219.2	11.69	2.205	0.923	2.087	1.511	188.9	1.333
Italy	(L)	2.086	0.385	0.341	0.101	0.039	100.	0.114	0.419	10.18	8.527	0.455	0.086	0.036	0.081	0.059	7.338	0.052
Netherlands	(Fl)	18.35	3.384	2.999	0.889	0.342	879.6	1	3.684	89.35	75.01	4.000	0.755	0.316	0.714	0.517	64.55	0.456
Norway	(NKr)	49.81	9.185	8.142	2.413	0.929	2388	2.714	10	242.5	203.9	10.86	2.048	0.858	1.938	1.403	175.2	1.238
Portugal	(Es)	20.54	3.787	3.357	0.995	0.383	984.4	1.119	4.123	100.	83.95	4.477	0.844	0.354	0.799	0.579	72.24	0.511
Spain	(Pta)	24.47	4.511	3.999	1.185	0.456	1173	1.333	4.912	119.1	100.	5.333	1.006	0.421	0.952	0.688	86.06	0.608
Sweden	(SKr)	45.88	8.460	7.498	2.223	0.855	2199	2.500	9.210	223.4	187.5	10	1.886	0.790	1.785	1.292	161.4	1.141
Switzerland	(SFr)	24.32	4.485	3.975	1.178	0.454	1166	1.325	4.883	118.4	99.41	5.302	1	0.419	0.946	0.685	85.55	0.605
UK	(£)	58.08	10.71	9.493	2.814	1.083	2784	3.165	11.66	282.6	237.4	12.66	2.388	1	2.260	1.636	204.3	1.444
Canada	(C$)	25.70	4.739	4.200	1.245	0.479	1232	1.400	5.159	125.1	105.0	3.602	1.057	0.442	1	0.724	90.40	0.639
US	($)	35.50	6.546	5.803	1.720	0.662	1702	1.935	7.127	172.8	145.1	7.738	1.460	0.611	1.381	1	124.9	0.883
Japan	(Y)	28.43	5.242	4.647	1.377	0.530	1363	1.549	5.707	138.4	116.2	6.197	1.169	0.489	1.106	0.801	100.	0.707
Ecu		40.22	7.417	6.574	1.949	0.750	1928	2.192	8.075	195.8	164.4	8.767	1.654	0.693	1.565	1.133	141.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5819	0.5837	+0.0014	0.5839	0.5807	18,435	82,629
Sep	0.5863	0.5868	+0.0007	0.5876	0.5863	91	3,506
Dec	-	0.5910	+0.0007	0.5910	-	23	335

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6872	0.6895	+0.0016	0.6905	0.6854	24,452	44,423
Sep	0.6955	0.6960	+0.0015	0.6970	0.6955	181	2,249
Dec	-	0.7016	-	-	-	20	443

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8024	0.8052	+0.0023	0.8075	0.7998	38,180	79,557
Sep	0.8161	0.8164	+0.0027	0.8190	0.8155	65	1,850
Dec	-	0.8275	+0.0025	0.8275	-	30	720

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6342	1.6360	-0.0008	1.6386	1.6286	17,855	38,883
Sep	1.6360	1.6330	-0.0010	1.6380	1.6330	201	1,051
Dec	1.6306	1.6306	-0.0010	1.6306	1.6306	1	101

UK INTEREST RATES

LONDON MONEY RATES

May 7	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅜ - 4	[illegible] - 6	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible] - 6¼	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible] - 3¼	-	-
Bank Bills	-	-	6¼ - [illegible]	[illegible]	[illegible]	-
Local authority deps.	6⅛ - 6	6⅛ - 6	6¼ - [illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	6¼ - [illegible]	6¼ - [illegible]	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from May 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc. Ave. tender rate of discount on May 2, 6.1834pc. ECGD fixed rate Stlg. Export Finance. Make up day Apr 30, 1997. Agreed rate for period May 26, 1997 to Jun 24, 1997, Scheme III 7.71pc. Reference rate for period Mar 28, 1997 to Apr 30, 1997, Schemes IV & V 6.450pc. Finance House Base Rate 6½pc from May 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.40	93.42	+0.01	93.43	93.40	16507	115243
Sep	93.19	93.19	-	93.21	93.16	28696	97055
Dec	93.05	93.01	-0.05	93.06	93.00	28711	83684
Mar	92.96	92.90	-0.07	92.97	92.88	16505	55317
Jun	92.88	92.81	-0.09	92.89	92.78	18908	44681

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9325	0.19	0.12	0.12	0.02	0.18	0.36
9350	0.03	0.04	0.05	0.11	0.35	0.54
9375	0	0.01	0.02	0.33	0.57	0.76

Est. vol. total, Calls 17012 Puts 3460. Previous day's open int., Calls 178892 Puts 188931

EMS EUROPEAN CURRENCY UNIT RATES

May 7	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.754325	-0.004802	-5.58	8.40	37
Portugal	197.398	196.947	-0.198	-0.23	2.61	2
Finland	5.85424	5.90304	-0.00586	0.83	1.53	-6
Spain	163.826	165.470	-0.047	1.00	1.36	-7
Denmark	7.34555	7.46205	-0.00852	1.59	0.78	-11
Netherlands	2.16979	2.20474	-0.00114	1.61	0.76	-12
Italy	1906.48	1939.52	-0.28	1.73	0.64	-13
Germany	1.92573	1.95969	-0.00102	1.77	0.59	-17
Austria	13.5485	13.7950	-0.0066	1.82	0.55	-13
Belgium	39.7191	40.4494	-0.0174	1.84	0.53	-19
France	6.45863	6.61229	-0.00511	2.38	0.00	-20
NON ERM MEMBERS						
Greece	295.269	311.324	-0.031	5.44	-2.90	-
UK	0.793103	0.696254	+0.003004	-12.21	16.82	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS May	CALLS Jun	CALLS Jul	PUTS May	PUTS Jun	PUTS Jul
1.620	1.78	2.34	2.75	0.28	0.93	1.45
1.630	1.09	1.75	2.23	0.59	1.33	1.80
1.640	0.59	1.26	1.75	1.10	1.85	2.42

Previous day's vol., Calls 20 Puts 505. Prev. day's open int., Calls 34,489 Puts 35,220

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS May	CALLS Jun	CALLS Jul	PUTS May	PUTS Jun	PUTS Jul
0.580	0.38	0.74	1.01	0.26	0.51	0.70
0.585	0.17	0.49	0.75	0.54	0.77	0.92
0.590	0.06	0.32	0.55	0.91	1.10	1.29

Previous day's vol., Calls 700 Puts 511. Prev. day's open int., Calls 34,489 Puts 35,320

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.07	94.06	-0.01	94.07	94.06	37,437	469,568
Sep	93.88	93.86	-0.01	93.87	93.85	55,547	429,529
Dec	93.65	93.63	-0.03	93.66	93.63	69,346	315,579

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.68	94.68	-0.01	94.69	94.68	665	5,942
Sep	94.48	94.46	-0.01	94.46	94.46	87	3,706
Dec	-	94.50	-	-	-	-	-

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS May	CALLS Jun	CALLS Jul	CALLS Sep	PUTS May	PUTS Jun	PUTS Jul	PUTS Sep
9675	0.04	0.05	0.04	0.05	0.01	0.02	0.07	0.08
9700	0	0.01	0.01	0.01	0.22	0.23	0.29	0.29
9725	0	0	0	0	0.47	0.47	0.53	0.53

Est. vol. total, Calls 435 Puts 1250. Previous day's open int., Calls 482872 Puts 279729

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9825	0.04	0.10	0.13	0.17	0.23	0.37
9850	0.01	0.03	0.05	0.39	0.41	0.54

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1475 Puts 1640

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	Royal Bk of Scotland	6.00
Allied Irish Bank (GB)	6.25	Exeter Bank Limited	7.25	●Singer & Friedlander	6.25
●Henry Ansbacher	6.25	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.25
Bank of Baroda	6.25	●Robert Fleming & Co	6.25	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	TSB	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	United Bank of Kuwait	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Unity Trust Bank Plc	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.25	Western Trust	6.25
Bank of Scotland	6.25	●Hill Samuel	6.0	Whiteaway Laidlaw	6.25
Barclays Bank	6.25	C. Hoare & Co	6.25	Yorkshire Bank	6.00
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00		
●Brown Shipley & Co Ltd	6.25	Investec Bank (UK) Ltd	6.25		
Citibank NA	6.25	Julian Hodge Bank	6.00		
Clydesdale Bank	6.25	●Leopold Joseph & Sons	6.25		
The Co-operative Bank	6.25	Lloyds Bank	6.25		
Coutts & Co	6.25	Midland Bank	6.25		
Cyprus Popular Bank	6.25	NatWestminster	6.25		
		●Rea Brothers	6.00		

● Members of London Investment Banking Association
* In administration

COMMODITIES AND AGRICULTURE

Philippine mining hit by fiscal delay

By Justin Marozzi in Manila

The Philippine mining industry lost as much as $240m last year because the government failed to settle the fiscal regime for mining projects, the head of the government's mines and geosciences hureau (GMB) said yesterday.

The statement came as a regional judge announced that one Filipino and two Australian mining officials would appear in court to face charges after last year'e spill of tailings from a copper mine.

The leak, from a mine on Marinduque island into the Boac river, led to the suspension of exploration licences for foreign mining companies and an overhaul of mining regulations in the country.

The three men – executives of Marcopper, the group formerly 40 per cent owned by Placer Dome, of Canada – will appear in court on May 28 and 29.

Mr John Loney, former president of Marcopper, Mr Steve Reid, former resident manager, and Mr Pedro Hernandez, senior manager, face charges of violating the Philippine'e mining act, criminal negligence, pollution and violation of the water code. The maximum penalty is six years imprisonment in addition to fines of 3,000 pesos ($114) for each dsy of violation.

Marcopper is still clearing the river more than 13 months after the spill, and expects to pay $15m. In March, Placer Dome said it was handing back its 40 per cent stake in the group as part of a strategy to concentrate on gold mining.

Speaking in Australia, where he is promoting investment in the Philippine mining industry, Mr Horacio Ramos, director of the GMB, said about $120m was spent last year on mineral exploration.

This could have reached $360m, however, if the government had concluded negotiations on its stake under the financial or technical assietance agreements (FTAAs), under which mining companies are allowed to explore up to 81,000 hectares at a fee of 50 pesos per hectare. Foreign companies are allowed to take 100 per cent stakes in mining projects.

At present, FTAAs are on hold, following the Marcopper accident. After e public ontcry against foreign mining companies, all but two of the 70 applications for exploration licences were frozen and in January the government announced a series of measures to punish companies leaking waste and obliging them to spend 10 per cent of initial costs on environmental improvements.

The Philippine mining industry has been stagnating over the last decade, declining from 25 per cent of exports receipts 10 years ago to about 4 per cent last year, bnt around 100 applications for new licenses are now pending.

Mr Ramos said he hoped to sign an agreement before the end of the month. The government was looking at taking 50 per cent of mine revenues after operational costs, he said. This would take effect once the mining company had recouped initial costs.

"We need to come up with a eharing agreement that is not only acceptable to foreign investors hut also ecceptahle to our people, because in thet way we will ensure long- term eustainability," Mr Ramos said.

Coffee rally continues

MARKETS REPORT

By Gary Mead

Coffee continued to enjoy its recent London rally yesterday, with the price for the July contract for robusta closing at $1,753 a tonne, $53 up on the previous day.

Specialists said the persistent interest came from both speculative traders and fund huying. Prices on the London International Financial Futures Exchange peaked earlier at $1,766, the highest since March 12.

The attention being paid to the Liffe-traded future is closely shadowing trading of arebice futures in New York, where in early trading yesterday the cash price reached e record $2.56 a pound.

Cocoa also enjoyed a stronger day on Liffe, with the July contract finishing £15 higher at £1,004 a tonne – though in the absence of fundamental news, trading was fitful.

Reports that Russia might finally have signed a decree to resume exports of palladium hit prices of the white precious metal in London.

The price has been pushed np hy 42 per cent since December. The spot price for the precious metal lost $2.50 on the day to $153.25.

Gold fixed in London slightly higher, at $341.10 an ounce, up from $340.65, bnt platinum was dragged down along with palladium, falling $1 an ounce to $372.

Trading in base metals on the London Metal Exchange was lacklustre, with aluminium the only exception. The three-month contract closed up $29 a tonne at $1,661, following news that LME stocks had fallen by 6,700 tonnes and that further falls were likely. The three-month contract for copper ended $10 up on the day, at $2,370 a tonne.

On London's International Petrolenm Exchange, the June contrect for Brent crude oil hovered around $18 a barrel and in later trading was np 15 cents at $18.22.

Some traders saw signs of hullishness after weekly figures from the American Petroleum Institnte pnt demand for gaeoline at 8.76m barrels a day.

Chinese metals group loan, Int Capital Markets

Century Zinc back on track

By Nikki Tait in Sydney

Brendan Corr

RTZ-CRA reached agreement in Queensland on title disputes bnt was picketed at its annual meeting in London

The A$1hn (US$780m) Century Zinc project in northern Queensland, which will be the world'e largest zinc mine, appears to he back on track after London-hased RTZ-CRA yesterday reeched formal agreement with local eboriginal groups and the etate government.

Native title disputes have dogged the project for several years, and it has been one of the main victims of the uncertainty in Australia over pastoral leases – in particular, whether these extinguish native title on the same land.

Yesterday, the company said it had secured a compensetion agreement with all 12 aboriginal groups that were asserting native title rights over land affected by the proposed mine, as well as the state government.

The henefits package is costed by Century Zinc et A$60m, with ehont A$45m going on training and job-related developments.

Four pastoral properties owned by Century will also be progressively transferred to aboriginal communities.

RTZ-CRA – whicb yesterday saw its annual general meeting in London picketed by environmental protestors – gave the go-ahead to the Century Zinc project more than two years ago, bnt development stalled because it could not reach agreement with all the native title claimants. The Queensland government offered to legislate so that the project could override the title issues, but the suggestion provoked controversy.

Last July, RTZ-CRA called a halt to site work, rejected the government'e offer and moved to begin negotiations under the lengthy hut proscribed process set down by Australia'e Native Title Act. This providee for an arbitrated solution if parties cannot agree, but in the event this was not necessary.

The London-based company has already agreed to eell Century to Pasminco, the Australian zinc producer, for A$345m, but the deal was eubject to the native title claims heing resolved. RTZ-CRA said in January it had already spent ahout A$240m on Century and the nearby Dugald River deposit, which is also being sold to Pasminco.

Yesterday, Pasminco, the world'e largest zinc producer, welcomed the agreement and said it would push ahead with mine development as soon as possible.

Century is set to produce about 450,000 tonnes of zinc concentrate when it reaches full production. Its development is crucial for Pasminco, which needs to source "clean concentrates" to meet the environmental standards required hy the Dutch authorities at its Budel smelter. Century is seen as the only significantly large-scale supplier.

RTZ-CRA results, UK Companies

COMMODITIES NEWS DIGEST

Central bank sales 'overshadow gold'

Central bank sales of gold were the "single most important influence on the market last year" and the threat of more selling will dominate prices in the immediate future, Gold Fields Mineral Services said yesterday. The company's annual gold survey predicts that gold will continue to be overshadowed, in particular by the prospect of European monetary union.

The survey says European Union countries hold 39 per cent of world gold reserves, and a "new generation of [central bank] managers without the reverence for gold of their predecessors" are "inclined to view their bullion reserves as little different in principle from foreign exchange".

Scant investor interest, nervousness over official selling, slightly increased supply and only marginally higher demand from fabricators combined to prevent the average price for gold in 1996 as a whole from advancing significantly; it moved up just 1 per cent, to $387.87 e troy ounce, from $384.05 in 1995. Reflecting an increasingly widely-held view, the analysis suggests this price is unlikely to move much this year. "The gold market . . . fears that there could be pre-emptive gold sales [by central banks] while countries still have autonomy in the run-up to Emu," it says. *Gary Mead*

Russia to release diamonds

More than $100m worth of diamonds bought by De Beers, but trapped in Russia by government red tape, can now be taken out of the country, Russian officials said. The diamonds will be released thanks to a recent government order which has given Almazy Rossii Sakha, Russia's leading diamond prodncer, the right to export diamonds until the end of May. The diamonds were bought by De Beers from ARS in February.

ARS officials said they were hopeful the government would soon give the company the right to export diamonds for the rest of the year. The order granting export permission for May was signed on April 26 hy Mr Victor Chernomyrdin, the Russian premier.

The temporary export permission is the latest twist in the Kremlin'e confused diamond policy, whose constant shifts have throw tbe Russian diamond industry into chaos and ruptured a relationship between Russia and De Beers established nearly half a century ago. In London yesterday, De Beers said it was "seeking confirmation" that the order had been signed. *Chrystia Freeland, Moscow*

Copenhagen clears Roundup

Suspicions that traces of the herbicide Roundup had been found in Copenhagen'e water supply have been dismissed by its water authority. Traces of Ampa, the residue found in water samples, were not from Roundup hut from detergents used to wash the bottles used for the tests hy a laboratory in the Netherlands, said Mr Gert Fischer, director of the city'e water supply agency.

Monsanto, the US chemicals company which produces Roundup, has denied throughout that the traces of Ampa could derive from Roundup, which is thought to be safe to use because it is rapidly broken down into harmless substances in the earth. *Hilary Barnes, Copenhagen*

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1614.5-5.5	1642-3
Previous	1598-99	1629-30
High/low		1662/1634
AM Official	1606.5-07	1634-34.5
Kerb close		1660-1
Open int.	276,237	
Total daily turnover	113,816	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1485-90	1510-2
Previous	1470-75	1495-500
High/low		1515/1500
AM Official	1480-85	1505-10
Kerb close		1510-15
Open int.	5,496	
Total daily turnover	1,156	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	612-4	623-5
Previous	615.5-6.5	626-7
High/low		632/622
AM Official	614-6	625.5-6
Kerb close		625-6
Open int.	35,919	
Total daily turnover	5,840	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7445-55	7560-65
Previous	7330-40	7445-50
High/low		7620/7480
AM Official	7390-95	7505-10
Kerb close		7610-20
Open int.	48,415	
Total daily turnover	26,274	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5735-45	5770-80
Previous	5765-75	5795-800
High/low		5810/5770
AM Official	5755-65	5785-95
Kerb close		5790-95
Open int.	17,009	
Total daily turnover	4,856	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1255.5-6.5	1277-8
Previous	1255.5-56.5	1277-77.5
High/low		1287/1274
AM Official	1261-62	1282-83
Kerb close		1287-8
Open int.	86,189	
Total daily turnover	17,734	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2408-10	2353-4
Previous	2429.5-31.5	2363-64
High/low		2370/2348
AM Official	2425-26	2360-60.5
Kerb close		2370-0.5
Open int.	134,886	
Total daily turnover	42,668	

■ LME AM Official £/$ rate: 1.6371
LME Closing £/$ rate: 1.6370

Spot: 1.6365 3 mths: 1.6339 6 mths: 1.6312 9 mths: 1.6292

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
May	111.10	+1.35	111.30	109.70	869	4,296
Jun	111.05	+1.50	111.10	110.00	75	2,558
Jul	110.45	+1.40	110.60	109.00	4,487	24,045
Aug	108.60	+1.45	108.20	108.20	38	1,385
Sep	107.30	+1.55	107.35	108.00	249	5,362
Oct	105.45	+1.40	-	104.60	60	1,004
Total					6,816	51,285

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	341.00-341.50		
Opening	340.40-340.70		
Morning fix	340.65	208.591	497.485
Afternoon fix	341.10	209.242	496.983
Day's High	341.50-341.80		
Day's Low	340.05-340.35		
Previous close	342.50-343.00		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.80	6 months	4.77
2 months	4.80	12 months	4.73
3 months	4.78		

Silver Fix	p/troy oz.	US cts equiv.
Spot	288.15	472.10
3 months	292.30	478.20
6 months	296.35	484.25
1 year	305.10	497.35

Gold Coins	$ price	£ equiv.
Krugerrand	340-342	207-209
Maple Leaf	-	-
New Sovereign	80-83	48-50

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	341.2	+1.0	-	-	1	1
Jun	342.4	+0.9	343.0	341.4	32,808	76,375
Aug	345.1	+0.9	345.6	344.5	307	18,431
Oct	347.6	+0.9	348.0	348.0	13	6,313
Dec	350.7	+1.0	351.3	350.5	771	21,987
Feb	353.6	+1.1	-	-	1	4,707
Total					34,303	168,134

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	372.9	-0.1	374.0	370.5	1,335	12,840
Oct	374.3	-0.1	374.5	372.5	294	3,046
Jan	376.5	-0.1	-	-	-	1,180
Apr	379.0	-0.1	-	-	-	14
Total					1,488	17,080

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	155.00	-1.20	158.70	153.20	871	6,388
Sep	154.75	-0.95	159.00	153.50	375	2,777
Dec	154.75	-0.95	-	-	92	368
Total					1,426	9,603

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	471.7	+2.8	472.5	468.0	95	297
Jul	475.8	+2.5	473.0	473.0	10,094	57,756
Sep	480.7	+2.5	482.0	479.0	160	5,333
Dec	488.0	+2.6	489.0	487.0	50	7,336
Jan	490.3	+2.6	-	-	1	18
Mar	495.7	+2.6	496.0	496.0	39	7,332
Total					12,249	86,192

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	19.81	+0.15	19.90	19.57	40,542	89,210
Jul	19.88	+0.13	19.95	19.72	8,582	54,919
Aug	19.84	+0.06	19.93	19.74	5,820	30,492
Sep	19.60	+0.07	19.92	19.80	2,901	18,052
Oct	19.88	+0.09	19.89	19.82	1,203	15,951
Nov	19.84	+0.05	19.90	19.92	367	13,836
Total					72,279	352,769

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	18.20	+0.13	18.28	18.09	8,995	44,280
Jul	18.30	+0.15	18.37	18.23	7,613	71,512
Aug	18.40	+0.08	18.48	18.36	3,614	16,629
Sep	18.50	+0.04	18.59	18.48	519	10,146
Oct	18.57	+0.04	18.62	18.55	197	8,776
Nov	18.58	-	18.64	18.58	370	5,631
Total					[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	53.60	+0.07	54.30	53.35	14,251	37,112
Jul	53.65	+0.11	54.45	53.40	4,233	28,908
Aug	54.30	+0.26	54.45	54.00	1,880	14,335
Sep	54.00	+0.11	54.95	54.80	938	6,367
Oct	55.75	+0.21	55.75	55.60	248	8,337
Nov	56.20	-	56.45	56.00	438	7,357
Total					23,778	137,549

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	167.50	+1.00	168.50	166.25	9,685	17,241
Jun	166.50	+0.25	167.50	165.75	8,985	22,423
Jul	167.50	-	168.00	167.25	1,442	8,638
Aug	169.25	-0.50	160.75	169.00	445	7,108
Sep	171.25	-0.25	171.50	171.00	20	3,230
Oct	173.25	-0.25	173.50	173.00	28	3,633
Total					20,984	76,762

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	2.395	+0.086	2.420	2.295	17,844	41,892
Jul	2.420	+0.082	2.430	2.325	7,197	28,074
Aug	2.390	+0.065	2.400	2.309	2,722	17,680
Sep	2.370	+0.060	2.370	2.290	1,882	15,237
Oct	2.380	+0.050	2.389	2.311	2,074	16,984
Nov	2.485	+0.035	2.485	2.450	989	7,982
Total					43,369	218,278

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	61.20	+0.89	61.65	59.75	14,860	50,310
Jul	60.40	+0.70	60.70	60.01	1,545	18,635
Aug	59.45	+0.65	59.45	59.10	1,937	8,100
Sep	55.20	+0.50	58.30	58.00	353	3,498
Oct	56.30	+0.37	56.30	56.00	259	2,448
Nov	55.60	+0.37	55.70	55.30	26	1,414
Total					22,988	91,885

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	91.00	-0.00	91.75	90.75	91	448
Jul	93.10	-0.85	94.00	92.50	138	2,071
Sep	93.25	-	-	-	65	68
Nov	95.25	-	95.75	94.50	142	3,486
Jan	97.25	-	97.75	96.50	172	1,261
Mar	99.25	-	99.70	98.50	110	655
Total					673	8,192

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	395.00	+1	402.00	395.00	366	411
Jul	404.25	+1.75	410.00	403.00	22,251	57,099
Sep	410.25	+2.25	416.00	409.00	1,832	13,316
Dec	421.75	+2.5	427.00	419.00	2,964	15,425
Mar	423.00	+2.5	427.00	423.00	169	1,110
May	404.00	+5	406.00	-	10	15
Total					27,580	87,615

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	288.00	-0.5	290.50	287.75	13,644	12,944
Jul	285.25	-0.25	287.75	285.00	57,506	133,812
Sep	270.25	+1	271.50	269.25	3,909	25,934
Dec	269.00	+1.25	270.50	267.50	23,245	108,689
Mar	274.25	+1.75	275.50	272.50	648	10,686
May	279.00	+2	279.00	277.00	23	617
Total					99,222	298,829

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	89.50	-	90.00	90.00	10	64
Sep	89.75	-	-	-	-	28
Nov	91.75	-	81.25	91.00	27	882
Jan	93.75	-	-	-	-	112
Mar	95.75	-	-	-	-	-
May	97.75	-	-	-	-	-
Total					36	1,086

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	896.00	+2	903.00	891.00	3,465	5,224
Jul	892.00	-	902.00	887.00	37,320	106,169
Aug	882.00	+0.25	869.50	881.00	3,418	19,512
Sep	765.25	+6	766.00	761.00	2,435	6,219
Nov	707.50	+6.25	708.00	702.50	11,607	48,215
Jan	713.00	+6.5	713.00	706.00	71	3,272
Total					58,348	192,158

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
May	24.52	-0.33	25.00	24.51	2,767	1,093
Jul	24.84	-0.25	25.27	24.82	10,513	60,700
Aug	24.95	-0.23	25.38	24.95	1,891	13,101
Sep	25.05	-0.17	25.42	25.03	1,597	7,737
Oct	25.05	-0.26	25.47	25.02	1,160	7,794
Dec	25.28	-0.21	25.67	25.20	2,413	19,440
Total					20,381	109,972

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
May	301.9	+2.4	303.0	299.5	3,716	11,228
Jul	293.8	+1.3	296.0	291.5	14,820	52,086
Aug	279.7	+2.2	282.0	277.8	2,339	15,317
Sep	259.0	+1.0	261.8	258.0	1,276	8,663
Oct	234.3	+3.5	234.3	232.5	428	9,678
Dec	224.3	+2.1	225.5	223.0	1,622	17,962
Total					24,332	117,929

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	16.0	-9	20.0	15.0	95	123
Jun	30.0	-	-	-	-	-
Nov	60.0	+1.0	-	-	-	11
Mar	105.0	-	-	-	-	-
Apr	123.0	+5.0	124.0	120.0	105	1,103
Total					195	1,114

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
May	1315	-20	1350	1325	45	595
Jun	1290	-10	1315	1290	91	241
Jul	1200	-15	1200	1290	15	1,051
Oct	1330	-7	1345	1330	10	474
Jan	1340	-5	-	-	-	57
Apr	1375	-15	-	-	-	-
Total					161	2,418

	Close	Prev
BFI	1289	1284

FUTURES DATA
All futures data supplied by CMS.

Nuts and seeds
Prices from Kenkko: US$ a tonne. Iranian pistachios 28/30 raw (in shell) naturally opened (round): RPPC prices 4,100 CFR, up due to frost damage on 1997 crop; long type only from second hand. Walnuts: US jumbo inshell 2,300 CPT Europe duty paid; East Europe LHP mix 4,050 CPT Europe, falling due to slow sales. Turkish hazelnuts standard No 1: falling due to high dollar, price idea 4,550, Italian goods matching prices. Turkish and Iranian sultanas: 1,250 CFR MEP, firm with fewer goods. Iranian industrial apricots: 1,790 CFR, MEP firming. Indian cashews: raw crop 1997 CFR Europe, W320 5,660, W240 5,950. US almonds: crop 1996 23/25 SSR 5,850 FAS down a bit; crop 1997 23/35 SSR 3,900 FAS, market quiet until the estimate tomorrow. Coconut: CFR 1,225 for top Philippine mills falling slightly.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	981	+17	983	976	76	176
Jul	1003	+14	1006	991	1,515	30,985
Sep	1016	+14	1025	1009	865	13,430
Dec	1013	+14	1015	1009	1,702	29,123
Mar	1025	+12	1027	1015	1,530	30,735
May	1037	+12	1039	1034	517	14,749
Total					6,845	136,917

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
May	1423	+24	1424	1415	12	193
Jul	1428	+18	1432	1428	4,858	31,724
Sep	1453	+17	1455	1446	1,029	13,497
Dec	1483	+18	1485	1474	946	18,076
Mar	1509	+16	1511	1506	227	20,149
May	1529	+16	-	-	3	8,553
Total					7,072	94,208

■ COCOA (ICCO) (SDR's/tonne)

May 6	Price	Prev. day
Daily	1118.41	1117.43

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1693	+58	1686	1620	243	1,281
Jul	1753	+53	1766	1665	5,566	22,727
Sep	1765	+00	1775	1700	2,518	11,984
Nov	1760	+45	1775	1700	1,040	4,272
Jan	1730	+45	1712	1670	32	1,918
Mar	1710	+45	1655	1655	10	160
Total					9,400	42,344

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	245.65	-3.95	256.00	245.00	311	958
Jul	211.40	-1.45	218.00	209.00	6,130	15,460
Sep	191.35	+1.20	194.50	188.50	1,667	7,030
Dec	171.30	+1.65	173.00	169.25	1,153	4,450
Mar	159.00	+2.00	159.00	155.00	212	1,616
May	152.00	+0.50	152.00	151.50	38	279
Total					9,527	30,161

■ COFFEE (ICO) (US cents/pound)

May 6		Prev. day
Comp. daily	159.99	162.09
15 day average	152.21	150.78

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	311.7	-1.6	313.2	311.0	1,103	12,451
Oct	303.2	-1.8	304.7	302.7	573	8,241
Dec	301.9	-0.7	302.0	301.1	66	1,640
Mar	302.1	+0.1	301.6	301.6	20	1,589
May	302.5	+0.1	302.0	302.0	10	670
Total					1,793	22,797

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	10.76	-0.12	10.92	10.75	4,528	74,334
Oct	10.64	-0.08	10.73	10.62	1,838	39,334
Mar	10.61	-0.06	10.68	10.60	913	23,609
May	10.57	-0.05	10.62	10.57	145	5,421
Jul	10.52	-0.07	10.59	10.54	25	2,585
Total					7,448	146,084

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	70.17	-0.03	70.20	69.90	99	55
Jul	71.92	-0.10	72.10	71.85	8,313	40,993
Oct	73.33	-0.15	73.50	73.30	1,183	3,016
Dec	74.46	-0.17	74.59	74.35	3,072	23,491
Mar	75.65	-0.25	75.75	75.65	306	3,615
May	76.27	-0.26	-	76.25	53	817
Total					16,606	73,759

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	74.00	+0.60	74.00	73.45	158	548
Jul	74.75	-0.10	75.40	74.60	971	17,868
Sep	77.45	-0.35	78.40	77.45	110	8,307
Nov	80.25	-0.20	80.60	80.25	64	3,020
Jan	82.90	-0.20	83.35	83.00	80	1,345
Mar	85.45	-0.10	56.00	85.50	64	898
Total					1,392	29,981

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

May 7	May 6	month ago	year ago
1973.8	1968.7	1944.2	2129.3

■ CRB Futures (Base: 1967 = 100)

May 6	May 5	month ago	year ago
246.04	246.34		

■ GSCI Spot (Base: 1970 = 100)

May 6	May 5	month ago	year ago
194.76	194.00	197.10	209.00

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-6,700	to	785,925
Aluminium alloy	-680	to	216,535
Copper	+3,050	to	151,975
Lead	-250	to	113,700
Nickel	+6	to	50,322
Zinc	-1,350	to	430,800
Tin	-15	to	11,215

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jun	65.225	+0.05	65.450	65.175	6,483	37,512
Aug	65.525	+0.275	65.360	65.200	3,003	27,290
Oct	68.975	+0.175	69.025	68.800	1,195	16,297
Dec	70.800	+0.225	70.825	70.525	426	6,536
Feb	71.200	+0.175	71.200	71.000	221	5,219
Apr	73.100	+0.125	73.100	72.850	38	1,262
Total					11,367	98,136

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jun	84.375	-0.15	85.450	84.100	5,230	17,613
Jul	85.400	+0.25	86.200	85.050	2,526	7,309
Aug	83.475	+0.325	84.000	83.175	1,201	6,038
Oct	75.475	-0.05	76.050	75.025	597	5,280
Dec	73.025	+0.475	73.100	72.200	144	3,154
Feb	71.000	-0.15	71.500	70.950	80	1,163
Total					9,792	41,478

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
May	89.850	+2.05	90.650	88.775	615	705
Jul	91.050	+1.1	92.900	90.700	2,140	6,867
Aug	90.200	+1.45	91.750	90.000	252	1,569
Feb	76.225	+1.325	77.900	76.050	35	322
Mar	75.100	+3	75.100	75.100	2	10
Total					3,043	9,278

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	May	Aug	May	Aug
1625	44	78	20	38
1650	30	65	30	49
1675	20	53	45	51
■ COPPER (Grade A) LME	**May**	**Aug**	**May**	**Aug**
2350	84	70	20	98
2400	53	50	38	129
2450	30	38	63	163
■ COFFEE LIFFE	**Jul**	**Sep**	**Jul**	**Sep**
n/a				
n/a				
n/a				
■ COCOA LIFFE	**Jul**	**Sep**	**Jul**	**Sep**
n/a				
n/a				
n/a				
■ BRENT CRUDE IPE	**Jun**	**Jul**	**Jun**	**Jul**
1850	-	50	-	68
1900	-	-	-	-
1950	-	-	-	-

LONDON SPOT MARKETS

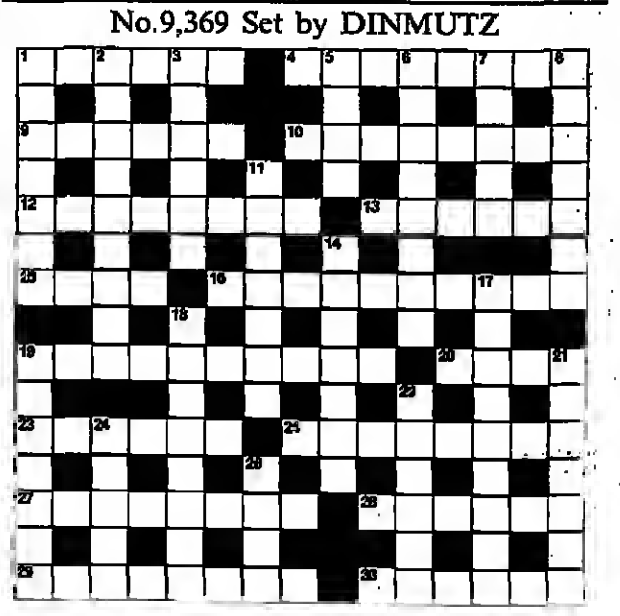
■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$17.75-7.90	+0.21
Brent Blend (dated)	$17.90-7.92	+0.14
Brent Blend (Jun)	$18.17-8.19	+0.14
W.T.I.	$19.79-9.81z	+0.12
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$204-206	+1
Gas Oil	$170-173	
Heavy Fuel Oil	$77-79	
Naphtha	$173-176	+0.5
Jet fuel	$186-189	+0.5
Diesel	$179-181	
■ NATURAL GAS (Pence/therm)		
Bacton (May)	10.5-10.6	
Petroleum Argus. Tel. London (0171) 359 8792		
IPE (Jun)	10.570	+0.045
■ OTHER		
Gold (per troy oz)♣	$341.30	-1.45
Silver (per troy oz)♣	475.00c	+1.00
Platinum (per troy oz.)	$373.00	-1.00
Palladium (per troy oz.)	$155.00	-2.75
Copper	115.0c	-4.0
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.05r	
Tin (New York)	271.5	
Cattle (live weight)	89.42p	-0.48*
Sheep (live weight)	138.72p	+6.55*
Pigs (live weight)†	112.50p	+1.07*
Lon. day sugar (raw)	$270.50	+1.30
Lon. day sugar (wte)	$316.50	-0.90
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Jun)♥	68.50p	
Rubber (Jul)♥	68.50p	
Rubber (KL RSS No1)	273.5x	-3.5
Coconut Oil (Phil)§	675.0y	+10.0
Palm Oil (Malay.)§	562.5z	+2.5
Copra (Phil)§	$442.5y	
Soyabeans (US)	232.0	
Cotton Outlook'A' index	78.75c	
Wooltops (64s Super)	418p	-12

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. w May y May/Jun♥ z Jun London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,644 head of pigs sold.

JOTTER PAD

CROSSWORD

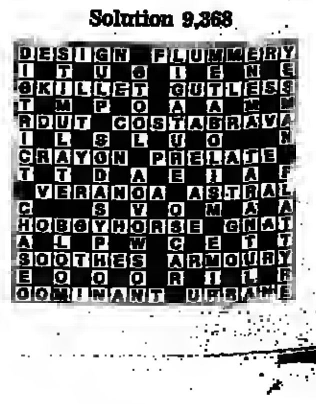
No.9,369 Set by DINMUTZ

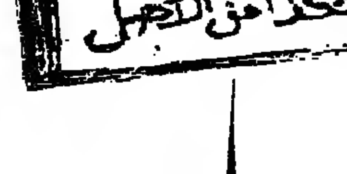


ACROSS
1 Archives of Sapper to be translated (6)
4 Water-carriers for baseball players (8)
9 Nothing clear ahout Cassandra, say (6)
10 Opening now branch has been moved? (8)
12 Clapham has one just beginning to need ointment (8)
13 Mischievous child with e hedgehog in the country (6)
15 Assumed to be excessively kind initially (4)
16 Ladies' magazine (6-4)
17 One can tell how much moisture is in the merry-go-round (10)
20 Traffic in Kent? (4)
23 Sum Don paid out in banks (6)
25 Two donkeys past the post – one should make a killing! (8)
27 Special court hearing about roll (8)
28 Legs in motion make one run (6)
29 Near to fighting here? (6)
30 He still digs some of the Wessex tongue (8)

DOWN
1 Spout in support of forward aircraft (4-3)
2 Clear air, we hear, in church (9)
3 Chronicle of quarrel at Elsinore (6)
5 Notionally, a centre of Christianity (4)
6 They may have careers planned around top of tables (8)
7 Church leaders supporting one unusual son of Cain (5)
8 Bone discovered in Munster (7)
11 Army officer, single, taken in by pass? (7)
14 Contrary article served new order (7)
17 Management lapse? (9)
18 Still water in fifty-cent kettles? (8)
19 R. Thames variety of cheeky pet (7)
21 Light, in case it produced magical effect (7)
22 Send up, say, topless waiters for e change (6)
24 Marriage of French individual, one getting on (5)
26 Group not allowed to eppear, from the sound of it (4)

Solution 9,368





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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Asset Management (Bermuda) Ltd

BERMUDA (REGULATED)(**)

Rothschild Asset Management - Contd.

Royal Bank of Canada Intl Money Market Fd

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

GT Global - Contd.

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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Abtrust Fund Mngrs Luxembourg SA (u)

4 Boulevard Royal L 2449 Luxembourg 00 352 227001

	Selling Price	+or-	Yield Gr's
Abtrust Atlas Fund			
Global Cap Portfolio	$4.061	+0.033	–
Japan Portfolio	[illegible]	+0.018	–
Pacific Portfolio	[illegible]	+0.029	–
Gold Portfolio	[illegible]	+0.024	–
UK Growth of Income	£2.3278	+0.031	3.81
Dollar Portfolio	[illegible]	—	1.03
Sterling Portfolio	[illegible]	+0.001	0.30

Fleming Group - Contd.

	Selling Price	Buying Price	+or-	Yield Gr's
FFF Emerging Markets F	$10.55	11.18	+0.05	–
FFF Emerging Markets Retx F	$14.65	16.71	+0.05	–
FFF Global Conv F	$18.29	19.35	+0.12	–
FFF India $	$10.22	10.82	+0.10	–
FFF Intl Bond F	$13.47	14.25	+0.06	–
FFF Japanese	$15.15	16.03	-0.08	–
FFF Japanese Smaller Cos F	$5.87	6.31	+0.03	–
FFF Latin American	$13.90	14.74	+0.09	–
FFF Pacific	$22.82	24.14	-0.14	–
FFF Sterling Bond	£1.103	1.167	+0.018	1.50
FFF UK Enterprise	£5.72	6.05	+0.03	–
FFF US Discovery	$42.82	45.08	+0.05	–

Foreign & Colonial Emerging Markets Ltd (u)

Exchange Ho, Primrose St, Ldn, EC2A 2NY 0171-628 1234

	Selling Price	+or-	Yield Gr's
F&C Emerging Markets			
Argentinian Inv Co F	$24.65	-0.12	–
Brazilian Inv Co SICAV F	$53.57	+0.40	–
Latin Amer Inv Co SICAV F	$12.33	+0.18	–
Mexican Inv Co SICAV F	$24.37	+0.10	–

Foreign & Colonial Portfolios Fd Sicav(u)

33 Boulevard Prince Henri, L-1724 Lux 00 352 2260 211

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
BG	‡W	174½xd	+3½	190½	134	7,740	18.4	18.5
Centrica		18¾	-1¼	77½	55	2,608	–	–
International Energy	‡	98xd	–	108	84½	50.8	6.2	Φ

ENGINEERING - Cont.

[illegible]

HEALTH CARE

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INSURANCE - Cont.

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Cont.

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TEXTILES & APPAREL - Cont.

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		325	–	*231	220	1,915	3.0	ϕ
Barlow		953		993	551	1,375	2.2	14.1
Gold Fids Prop R	†	137½	–	171½	120	14.1	6.5	10.3
SA Brews						5,354	1.8	ϕ
Standard Bank					£21	3,482	1.3	25.7
Tiger Oats		1005	–15	1180	770	1,307	1.7	20.8
Tongaat-Hulett		780¼	+4	1125	676¼	734.2	0.8	ϕ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♦ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension

f Indicated dividend yield, p/e ratio based on latest annual earnings.
s Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment
L Estimated annualised yield, p/e based on latest annual earnings.
W Yield based on prospectus or other official estimates for 1997-98.
Dividend is paid in whole or part as a

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

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The share prices printed on these pages are also available on the Internet at http://www.FT.com.

LONDON STOCK EXCHANGE

Footsie off best but still at closing high

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

Further overseas buying in the wake of Tuesday's change to UK interest rate management drove share prices to fresh peaks in London yesterday.

There was additional encouragement for stocks from the latest UK economic news, which showed industrial production and manufacturing output both down 0.1 per cent in March, compared with forecast rises of 0.6 per cent and 0.3 per cent respectively.

The numbers were viewed by market observers as lessening the chances of a further rise in UK interest rates in the short term. Gilts finished the session around 7 to 8 ticks lower but were never pressured, according to dealers.

The buying from overseas funds was accompanied by a revival of support from some of the UK investment management groups, most of which preferred to keep out of the market during the run up to the election.

But London's sparkling early performance was dampened in the early afternoon, however, when news of a stronger than forecast US labour report brought a halt to the recent surge on Wall Street, where the Dow Jones Industrial Average turned down sharply. The Dow extended an early fall to one of over 50 points within half an hour of the London close.

A 2.7 per cent rise in US non-farm unit labour costs in the first quarter was seen as having inflationary implications.

The next monetary policy meeting of the Federal Reserve is on May 20 and dealers in London said Wall Street could have seen its best levels until that meeting is over.

The FTSE 100 index followed up its 63.7-point gain on Tuesday with a further 18.2 advance to a record close of 4,537.5, a two-day rise of 81.9 or 1.9 per cent. In mid-morning, Footsie hit a new intra-day peak of 4,562.0.

The second liners and smaller capitalised issues, while by no means friendless, continued to underperform the leaders. The FTSE 250 finished 1.2 off at 4,519.0, but never looked in good form, and at its best was only 3.0 higher on the day.

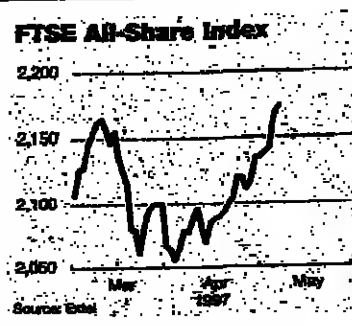
The SmallCap rose 3.7 to 2,304.9, having been 4.8 higher at one point.

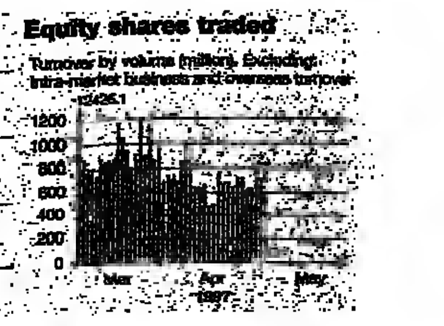
Dealers repeated Tuesday's story that much of the early buying interest came from overseas investors; activity from UK fund managers, they said, was mainly confined to sector and stock rotation. Overall, they suggested, the market still felt very strong, given the firmness of gilts.

Financial stocks remained strong, although closing off their best levels, after the chancellor's move to allow interest rates to be set by the Bank of England. The sector has been one of the real driving forces behind the London market in recent months. Dealers insisted the "Halifax effect" was still of crucial importance.

The Halifax's conversion to banking status, involving the issue of free shares, means index tracking funds have still not lifted their weightings in what is the market's biggest sector.

Turnover at 6pm was 803m shares.





Indices and ratios

FTSE 100	4537.5	+18.2
FTSE 250	4516.0	−1.2
FTSE 350	2210.3	+7.0
FTSE All-Share	2173.9	+6.64
FTSE All-Share yield	3.53	3.56
FT 30	2947.9	+15.0
FTSE Non-Fins p/e	18.65	18.59
FTSE100 Fut Jun	4553.0	+16.0
10 yr Gilt yield	7.14	7.11
Long gilt/equity yld ratio	2.05	2.01

Best performing sectors

1 Chemicals ... +2.0
2 Life Assurance ... +1.7
3 Property ... +1.6
4 Leisure & Hotels ... +1.2
5 Electricity ... +1.1

Worst performing sectors

1 Tobacco ... −0.7
2 Building Matls & Merchs ... −0.6
3 Oil Exploration ... −0.5
4 Pharmaceuticals ... −0.5
5 Engineering ... −0.3

ICI deal revives shares

By Peter John and Joel Kibazo

ICI halted a period of stark underperformance yesterday as the chemicals group announced it had bought Unilever's speciality chemicals business for £5bn.

The shares, hammered by adverse currency moves and raw materials prices, had been lingering around a two-year low. Yesterday, they jumped 43 – more than 6 per cent – to 757½p. And the biggest gain in the Footsie was accompanied by exceptional turnover of 16m shares.

ICI said the deal would be neutral, or positive, for earnings in the first year and analysts pointed out that the move would make ICI less dependent on potentially crucifying bulk chemical prices. Also, the purchase price was below some expectations.

Nevertheless, Moody's Investors Service lowered and left under review for potential further downgrade all its ICI long-term debt ratings to Prime-2 from Prime-1. And S & P lowered ICI's commercial paper rating from A1 to A2.

Unilever said the sale would result in an exceptional gain, before tax and expenses, of more than $5bn. But shares slipped 3¼ to £16.44p as the sale increased speculation that the company might launch a takeover.

Reckitt & Colman, the manufacturer and seller of household goods that is perceived to be the principal object of Unilever's affections, improved 11½ to 884p.

Doubts about the future of the Eurofighter project continued to cast a shadow over British Aerospace. The company is one of the prime contractors on the project. Shares in the UK industrial giant gave up another 8 to £12.77½p, having traded 4.7m.

However, Mr Brian Newman at Henderson Crosthwaite believes such doubts are misplaced and he predicts the project will soon receive the go-ahead from the four European governments involved.

He said: "The project has the support of the new Labour government in the UK and we expect final confirmation to come at the Paris air show in June. I think the UK, Germany, Italy and Spain will give the go-ahead for production tooling worth around £3.5bn and the first stage after clearance."

A bullish note on the property sector sent leading issues sharply ahead.

The list of advances included British Land, up 6 to 595p, Great Portland Estates, 10½ higher at 216½p, and Hammerson up 10 to 461½p. Other rises were recorded in Land Securities, 21 ahead at 836p and MEPC, which closed 12 up at 474½p.

The property team at BZW, which now includes Mr Michael Prew, has maintained the "overweight" stance on the sector. The analysts said: "Whilst there is a chance of short-term disappointment, the fundamentals for the present look stronger than at any time for the last 10 years.

"If we are confident that short-term rates will not rise above 8 per cent then the outlook is very bullish for a late cycle recovery sector."

Football stocks received a drubbing. Manchester United slid 22 to 639p, with the good news that the club had maintained its hold on the English Premier league title already factored into the price.

A defeat on Tuesday for challengers Liverpool and a draw by Newcastle – down 4½ at 119p – gave United their fourth championship win out of the past five seasons. Aston Villa became the latest Premier League team to float on the London Stock Exchange.

The shares opened at a premium to the £11.00 flotation price and hit £11.50p but slid back to close at £10.70p.

Dealers said two agency cross trades were carried out at £11.75p and accounted for about 100,000 shares of the 136,000 recorded.

Royal Bank of Scotland, which has risen sharply in recent weeks, was flat at 585p as the group failed to impress with its first-half profits; they only rose 14 per cent to £369m in the six months to March, compared with expectations of between £345m and £383m.

Analysts said the bank's 24 per cent rise in banking profits was strong, yet the result overall was a slight disappointment after recent positive surprises elsewhere in the sector.

The financial sector, already strong on Tuesday after the Labour government moved to give the Bank of England more independence in setting interest rates, remained strong.

The sector, which has the biggest weighting in the FTSE 100 index, accounted for almost 10 points of the Footsie's rise at one stage. Lloyds TSB rose 12 to 578p, Abbey National 2 to 848½p and NatWest 12½ to 763½p.

Meanwhile, comfortable figures from the Royal Bank's Direct Line insurance arm helped insurers.

Legal & General led the sector higher, gaining 16 to 454½p. Prudential and Royal & Sun Alliance also scored intra-day records. Prudential closed 11 up at 633p, while Royal & Sun added 7 to 508½p. General Accident firmed 11 to 937½p.

Analysts downgraded profit expectations at Dalgety after the food manufacturing group warned that second-half results will fall short of first-half figures.

The surprise announcement sent the shares tumbling 41½ or 13.4 per cent to 269p, the sharpest decline in the FTSE 250. One analyst said: "It's one disaster after another at Dalgety these days."

Specialists now predict full-year profits will be around £80m against previous forecasts in the £100m to £107m range.

It was also a poor day for sugar producer Tate & Lyle, which reported first-half profits below market forecasts.

Profits, before exceptionals, fell from £168.2m to £113.6m, below forecasts of £120m to £130m.

The shares fell 5¼ to 448½p, with a steeper decline prevented by the strong market trend. Volume at the close was 2m.

A positive trading statement from Booker, the food distribution and processing group, helped the shares recover from an early retreat. The shares fell to 302p in early trading following the publication of figures from Tate & Lyle. However, news at the group's annual meeting that overall group sales were up 36 per cent in the first four months of the year helped the shares close 11 up at 320½p.

BSkyB rose 5½ to 601p on continuing support for its digital television venture. Amstrad, which along with Pace Microsystems has won part of the contract to supply new decoders, rose 8¼ to 227p. Pace edged up a penny to 88½p.

FT 30 INDEX

	May 7	May 9	May 2	May 1	Apr 30	Yr ago	*High	*Low
FT 30	2947.9	2932.9	2907.4	2902.7	2898.4	2772.0	2947.9	2668.8
Ord. div. yield	3.74	3.75	3.80	3.80	3.81	4.02	4.22	3.74
P/E ratio net	17.76	17.68	17.47	17.45	17.43	16.26	18.09	15.80
P/E ratio nil	17.58	17.50	17.29	17.27	17.25	18.03	17.87	15.71

FT 30 since compilation: high 2947.9 7/05/97; low 49.4 26/06/40, Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2934.0	2940.7	2951.7	2958.4	2956.9	2957.4	2957.2	2952.9	2950.0	2961.8	2933.5

	May 7	May 9	May 2	May 1	Apr 30	Yr ago
SEAQ bargains	53,124	53,681	41,855	48,477	60,533	32,021
Equity turnover (£m)†	-	NA	1949.3	1949.3	2273.2	1824.0
Equity bargains†	-	NA	40,694	40,694	50,750	38,110
Shares traded (ml)†	-	NA	603.2	603.2	719.4	676.6

†Excluding intra-market and overseas turnover but including Crest turnover.

	May 7	May 6	May 2	May 1	Apr 30	Yr ago	*High	*Low
FTSE AIM	1093.8	1090.2	1081.5	1081.5	1080.4	1072.6	1140.4	965.7

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London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	851	Total Highs	121	Total contracts	80,080
Total Falls	671	Total Lows	55	Calls	56,779
Same	1,557			Puts	23,301

May 7 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4533.0	4553.0	+18.0	4575.0	4531.0	13619	62752
Sep	4588.0	4585.0	+16.0	4588.0	4588.0	92	3463
Dec	4627.5	4625.5	+14.5	4627.5	4627.5	10	320

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		4540.0	+0			0	4891

■ FTSE 100 INDEX OPTION (LIFFE) (*4541) £10 per full index point

	4300 C	4300 P	4350 C	4350 P	4400 C	4400 P	4450 C	4450 P	4500 C	4500 P	4550 C	4550 P	4600 C	4600 P	4650 C	4650 P
May	245	1	195½	2	149	3½	102½	7	59½	15½	28½	36	10	70½	2½	117
Jun	288½	14½	224	20½	182	29	143	40	107½	55	77	76	53	101½	33	135
Jul	308½	28½	254	35½	214	47	175½	58½	143	76	113	95½	86½	120½	63	149
Aug	394	39½	265½	50½	227	60½	191½	75	160	93½	129	113	104	139½	80	165½
Dec†	392	83½			320½	110			254½	142½			196	185½		

Calls 25,251 Puts 3,894

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4325 C	4325 P	4375 C	4375 P	4425 C	4425 P	4475 C	4475 P	4525 C	4525 P	4575 C	4575 P	4625 C	4625 P	4675 C	4675 P
May	218½	1	169½	2	122	4½	78	10	41	23	16	48	5	86½	1½	133
Jun	243½	17	209½	23½	160½	33½	123	46	91	63	64½	86½	42½	114	28	147
Jul	272	29½	231	37½	193	49	157	62½	125½	80	96½	100½	72	125½	52	154½
Sep	312	58			239	82½			173½	115			119½	158½		
Dec†	376	87			393½	110½			239	142			182	181½		

Calls 23,527 Puts 10,169 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
*	F.P.	3,408	585½	532½	Alliance & Leic	585½	+6½	L16.3	2.5	3.5	14.4
§	F.P.	122.5	1200	1065	Aston Villa	1070		R8.8	1.8	1.0	58.8
§100	F.P.	25.0	100	99	Aurora Inv Trust	100		-	-	-	-
-	F.P.	4,289	305½	288	Cable & Wireless	288	-2	-	-	-	-
§40	F.P.	12.6	65	54½	†Charlton Athltc	57½		-	-	-	-
	F.P.	38.0	95	95	Close Bros Pr VCT	95		-	-	-	-
§130	F.P.	16.5	150½	132½	†Comino	149½		2.25	4.6	1.9	14.0
§	F.P.	12.3	61½	70½	Donatantonio	81½	+1½	0.5	ϕ	0.8	ϕ
-	F.P.	12.8	127½	122½	†Dragons Hlth	125½		-	-	-	23.7
§175	F.P.	25.9	212½	198	Heal's	212½		L3.9	3.1	2.3	15.5
§	F.P.	7.29	164½	162½	†ITG	162½	-2	-	-	-	-
§110	F.P.	5.42	130½	122½	†Lady in Leisure	130½		b-	-	-	-
§	F.P.	3.63	115½	112½	Longbridge Intl	115½		-	-	-	16.1
-	F.P.	176.4	99½	97½	Mrtn Currie I&G Inc	98		M7.4	-	9.4	-
-	F.P.	6.19	93½	87½	Do Cap	91½		-	-	-	-
50	F.P.	19.0	54½	47½	†NMT	48½	-1	-	-	-	-
§135	F.P.	170.5	144½	114	Newcastle Utd	119	-4½	u1.8	-	1.7	-
*	F.P.	1.74	29½	28½	†Northstar Secs	29		-	-	-	-
	F.P.	4.75	100	95	Oxford Tech Vent	95		-	-	-	-
-	F.P.	32.0	171½	157½	Partners Hldgs	171½		a-	-	-	19.8
100	F.P.	8.00	100	100	Penine AIM VCT	100		-	-	-	-
-	F.P.	18.8	65	38½	†Petra Diamonds	64½	+11	-	-	-	-
-	F.P.	0.86	40	13½	†Do Warrants	39½	+9½	-	-	-	-
143	F.P.	21.8	155½	150	Quelcoram	155½		22.8%	-	1.5	-
§117	F.P.	16.2	124½	122½	Salehurst	122½	-1½	L3.75	1.3	3.8	16.6
§100	F.P.	10.3	105½	102½	†Soccer Investmnt	103½		-	-	-	-
-	F.P.	12.4	107½	107½	†Torch Hldgs	107½		-	-	-	-
-	F.P.	83.5	75	59	Utd Overseas Grp	70	+1½	-	-	-	15.2

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	May 9	% chg on day	May 5	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1524.57	+0.3	1519.29	2334.82	2.23	-	2382.86	1468.60
■ Regional Indices								
Africa (14)	1766.58	+0.6	1756.51	3060.30	5.05	28.00	3197.52	1724.86
Australasia (6)	1766.89	+0.1	1765.03	2755.58	3.02	19.32	2844.14	1765.03
North America (11)	1430.48	+0.3	1426.23	2071.20	1.01	58.91	2126.45	1335.84

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FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	May 7	Day's chge%	May 6	May 2	May 1	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4537.5	+0.4	4519.3	4455.6	4445.0	3707.3	3.57	2.05	17.02	67.69	1928.10
FTSE 250	4516.0	----	4520.2	4498.1	4502.1	4504.4	3.58	1.55	22.55	61.09	1877.27
FTSE 250 ex IT	4543.2	----	4544.2	4526.8	4533.5	4547.7	3.71	1.58	21.38	63.31	1892.58
FTSE 350	2210.3	+0.3	2203.3	2176.3	2172.5	1883.9	3.57	1.95	17.89	32.35	1917.99
FTSE 350 Higher Yield	2136.0	+0.3	2131.1	2111.1	2107.0	1808.6	4.62	1.83	14.78	38.55	1570.74
FTSE 350 Lower Yield	2289.1	+0.3	2282.0	2247.3	2244.0	1966.3	2.51	2.19	22.77	25.64	1626.77
FTSE SmallCap	2304.85	+0.2	2301.16	2295.52	2296.34	2221.50	3.03	1.70	24.27	26.59	1947.99
FTSE SmallCap ex IT	2306.10	+0.2	2302.07	2306.10	2301.91	2218.68	3.24	1.77	21.73	28.63	1964.95
FTSE All-Share	2173.90	+0.3	2167.26	2142.25	2138.69	1870.23	3.53	1.94	16.24	31.30	1914.45

FTSE Actuaries Industry Sectors

	May 7	Day's chge%	May 5	May 2	May 1	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4167.00	----	4196.32	4098.37	4112.33	3415.57	3.63	2.02	17.08	70.49	1872.13
12 Extractive Industries(5)	4212.64	+0.4	4197.82	4212.42	4201.29	4758.84	3.74	2.38	14.03	104.80	1287.67
15 Oil, Integrated(3)	4340.28	----	4339.27	4212.84	4232.67	3378.09	3.83	1.96	16.69	70.72	1988.64
16 Oil Exploration & Prod(12)	3436.87	−0.5	3455.76	3429.06	3430.04	2448.57	1.98	2.20	33.83	36.76	2106.19
20 GEN INDUSTRIALS(269)	1971.38	+0.2	1966.52	1956.61	1948.31	2125.79	4.06	1.91	16.17	29.57	1119.39
21 Building & Construction(35)	1392.34	+0.3	1387.96	1387.46	1383.58	1242.05	3.10	1.95	20.63	22.49	1208.87
22 Building Matls & Merchs(31)	1889.52	−0.6	1900.64	1892.97	1884.55	1958.33	4.25	2.76	10.65	29.04	991.89
23 Chemicals(26)	2299.89	+2.0	2254.70	2241.05	2244.10	2512.20	4.56	1.46	19.76	39.07	1135.45
24 Diversified Industrials(16)	1509.33	−0.1	1511.03	1488.48	1480.71	1777.20	4.91	1.97	13.19	33.05	891.96
25 Electronic & Elect Equip(36)	2127.03	+1.1	2104.69	2095.25	2098.63	2405.98	3.70	1.56	21.61	13.11	1136.49
26 Engineering(69)	2512.15	−0.3	2520.28	2508.31	2492.27	2450.99	3.37	2.46	15.06	31.12	1573.20
27 Engineering, Vehicles(13)	2755.94	+0.2	2749.30	2758.10	2754.24	3036.24	4.04	‡	‡	38.40	1475.24
28 Paper, Pckg & Printing(27)	2335.58	+0.4	2326.39	2329.14	2355.44	2777.84	4.48	1.87	14.60	41.86	1012.91
29 Textiles & Apparel(14)	1065.19	+0.7	1057.79	1062.42	1065.77	1423.12	8.81	0.96	19.71	28.02	691.61
30 CONSUMER GOODS(84)	4352.90	−0.3	4366.67	4326.52	4318.40	3453.53	3.48	1.82	18.77	80.95	1678.45
32 Alcoholic Beverages(7)	2966.67	−0.1	2971.13	2941.39	2938.01	2816.59	4.43	1.68	14.96	62.64	1123.25
33 Food Producers(25)	2905.39	−0.1	2908.32	2906.77	2895.85	2472.06	3.80	1.84	17.83	56.21	1371.26
34 Household Goods(17)	3013.02	+0.9	2985.21	2954.65	2921.27	2695.03	3.43	2.32	15.76	53.41	1238.56
36 Health Care(15)	2219.97	----	2219.46	2220.73	2226.36	2078.95	2.67	1.63	26.63	31.74	1391.47
37 Pharmaceuticals(18)	7015.55	−0.5	7049.22	6976.74	6975.06	4608.05	2.63	1.72	27.67	104.77	2462.80
38 Tobacco(2)	4414.41	−0.7	4443.93	4345.50	4317.22	4180.38	6.13	1.87	10.88	147.56	1175.06
40 SERVICES(271)	2676.98	+0.4	2666.80	2636.98	2630.49	2492.89	2.90	1.96	21.95	27.51	1434.50
41 Distributors(30)	2734.15	+0.1	2730.47	2707.45	2700.24	2932.88	3.35	1.94	19.23	38.25	1042.63
42 Leisure & Hotels(31)	3451.62	+1.2	3410.28	3381.46	3376.10	3204.87	2.64	1.77	26.69	58.92	1910.19
43 Media(44)	4361.10	+0.2	4352.19	4289.98	4273.41	4190.55	2.24	1.97	28.26	55.29	1618.16
44 Retailers, Food(15)	2063.70	+0.9	2047.75	2024.54	2009.64	1942.24	3.91	2.22	14.38	22.51	1358.95
45 Retailers, General(53)	2110.02	+0.1	2106.66	2082.52	2073.13	2025.42	3.19	2.08	19.06	14.93	1241.50
47 Breweries, Pubs & Rest.(22)	3327.58	+0.2	3322.38	3276.10	3255.03	3118.86	3.30	2.08	16.21	18.26	1642.05
48 Support Services(54)	2937.50	+0.5	2924.27	2896.43	2893.34	2346.85	1.77	2.91	27.13	20.48	1909.80
49 Transport(22)	2788.30	+0.5	2773.22	2761.61	2788.77	2418.86	3.49	1.27	28.24	30.52	1205.01
90 UTILITIES(31)	2765.72	+0.4	2754.00	2741.70	2766.92	2449.58	4.89	1.55	18.92	16.92	1262.27
62 Electricity(9)	3006.75	+1.1	2973.65	2951.50	3024.25	2857.04	5.75	2.19	9.97	22.06	1660.75
64 Gas Distribution(2)	1569.53	+1.0	1554.39	1621.68	1606.54	1458.73	7.77	‡	‡	68.13	896.47
66 Telecommunications(8)	2323.06	+0.2	2319.01	2295.16	2298.83	2001.98	3.84	1.74	19.78	0.38	1096.86
68 Water(12)	2532.15	−0.3	2538.62	2511.88	2569.36	2112.51	5.88	2.33	8.12	0.00	1464.52
69 NON-FINANCIALS(675)	2200.46	+0.1	2197.18	2174.81	2174.06	1995.63	3.63	1.95	18.65	29.44	1738.75
70 FINANCIALS(106)	4196.80	+0.9	4159.09	4091.50	4068.38	2842.08	3.42	2.35	15.52	60.43	1890.97
71 Banks, Retail(8)	6231.23	+0.9	6191.44	6060.41	6016.95	3813.35	3.22	2.86	14.92	126.12	2131.92
73 Insurance(18)	1804.52	+0.3	1798.64	1777.90	1753.86	1479.54	4.76	2.30	11.37	43.53	1433.76
74 Life Assurance(7)	4981.76	+1.7	4900.26	4830.83	4850.10	3800.10	3.53	1.87	17.97	121.00	2176.04
77 Other Financial(29)	3227.54	+0.7	3205.02	3171.48	3160.68	2654.07	3.23	1.94	19.96	36.34	1908.41
79 Property(44)	1965.02	+1.5	1934.97	1921.87	1922.60	1567.59	3.25	1.31	29.41	13.53	1251.07
80 INVESTMENT TRUSTS(127)	3345.72	+0.1	3343.92	3303.09	3291.04	3210.99	2.10	1.14	50.07	24.23	1193.67
89 FTSE All-Share(908)	2173.90	+0.3	2167.26	2142.25	2138.89	1870.23	3.53	1.94	16.24	31.30	1914.45
FTSE Fledgling	1299.26	−0.1	1300.81	1299.17	1299.60	1341.58	8.00	0.90	52.33	14.76	1398.05
FTSE Fledgling ex IT	1317.99	−0.2	1319.96	1319.95	1320.65	1250.52	3.30	0.77	49.17	13.86	1419.16

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4524.4	4524.8	4541.3	4557.1	4556.9	4556.4	4555.0	4547.9	4541.0	4562.0	4522.5
FTSE 250	4517.2	4519.6	4520.3	4520.8	4522.4	4522.2	4522.6	4523.2	4517.6	4523.2	4517.2
FTSE 350	2205.0	2205.3	2211.8	2218.1	2218.2	2218.0	2217.5	2214.9	2211.5	2220.1	2204.4

Time of FTSE 100 Day's high: 11:06 AM Day's low: 8:43 AM. FTSE 100 1996/97 High: 4537.5 (07/05/97) Low: 4056.6 (10/01/97).

FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1274.4	1284.9	1285.3	1281.1	1280.3	1280.1	1280.1	1279.8	1275.1	1274.9	1270.1	+4.9
Pharmaceuticls	6874.4	6962.9	6977.7	6987.3	6978.2	6977.7	6975.3	6955.9	6945.4	6938.3	6972.5	−34.2
Water	2542.0	2541.6	2541.9	2537.2	2540.1	2540.8	2539.8	2537.9	2527.5	2527.8	2534.5	−6.7
Banks, Retail	6250.9	6249.1	6288.2	6349.9	6342.7	6331.3	6325.5	6316.8	6314.3	6310.9	6260.3	+50.5

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810.

 † Sector P/E ratios greater than 90 and net covers greater than 30 are not shown. ‡ Values are negative. Name change: Aberdeen Trust to Aberdeen Asset Management (FTSE SmallCap) & (77).

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	797	521½	+3½
ASDA Group†	8,800	117¼	+¼
Abbey National†	2,400	848½	+2
Airtours	333	961½	+8
Albert Fisher	1,100	30¼	−1
Alliance & Leicester	5,500	585½	+6½
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volumes for a selection of major securities dealt through the SEAQ system ... FTSE 100 index constituent ... rounded ...

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

INDICES

	May 7	May 6	May 5	1997 High		1997 Low	
Argentina							
General(29/12/77)	(u) 21336.90	21467.05	21591.32		24/2	19237.37	2/1
Australia							
All Ordinaries(1/1/80)	2517.8	2512.6	2492.7	2517.80	7/5	2332.20	1/4
All Mining(1/1/80)	898.7	895.6	896.8	987.10	24/2	878.40	16/4
Austria							
Credit Aktien(30/12/84)	412.28	407.26	402.85	416.23	11/3	374.40	9/1
Traded Index(2/1/91)	1227.21	1217.47	1211.89	1256.43	11/3	1139.22	9/1
Belgium							
BEL20(1/1/91)	2234.75	2253.87	2254.87	2254.87	5/5	1971.05	2/1
Brazil							
Bovespa(29/12/83)	(u)	10219.0	9994.0	10219.00	6/5	8.08	29/4
Canada							
Metals Mins‡(1975)	(u)	5370.32	5358.08	5891.75	10/3	4945.86	11/4
Composite‡(1975)	(u)	6130.00	6150.73	6832.80	10/3	5579.30	14/4
PortfolioSS(4/1/83)	(u)	3115.48	3133.60	3214.10	10/3	2846.02	11/4
Chile							
IGPA Gen¶(31/12/80)	(u)	5366.82	5354.44	5443.52	25/2	4812.42	2/1
Denmark							
CopenhagenSE(3/1/83)	556.48	554.45	549.04	558.48	7/5	470.14	2/1
Finland							
HEX General(28/12/90)	3002.04	3031.04	2997.57	3031.04	6/5	2483.28	2/1
France							
SBF 250(31/12/90)	1770.47	1775.53	1786.32	1815.36	10/3	1533.18	2/1
CAC 40(31/12/87)	2643.31	2651.93	2672.84	2709.21	10/3	2258.97	2/1
Germany							
FAZ Aktien(31/12/58)	1212.12	1217.57	1208.29	1217.57	6/5	986.21	2/1
Commerzbank(1/12/53)	3555.20	3578.5	3544.3	3578.50	6/5	2875.90	2/1
DAX(30/12/87)	3551.98	3568.28	3528.78	3568.28	6/5	2848.77	2/1
Greece							
Athens SE(31/12/80)	1537.53	1519.48	1518.42	1537.53	7/5	964.54	2/1
Hong Kong							
Hang Seng(31/7/64)	13505.91	13579.34	13389.34	13868.24	20/1	12055.17	3/4
India							
BSE Sens.(1979)	3753.50	3781.49	3756.78	3944.81	4/3	3225.24	2/1
Indonesia							
Jakarta Comp.(10/8/82)	666.84	659.60	652.78	712.80	28/2	631.27	15/4
Ireland							
ISEQ Overall(4/1/88)	3186.41	3198.08	(c)	3198.08	6/5	2725.07	2/1
Italy							
Banca Comm Ital(1972)	772.24	777.69	771.57	787.71	10/2	642.55	2/1
MIB General(2/1/97)	1162.0	1170.0	1161.0	1197.00	10/2	991.00	2/1
Japan							
Nikkei 225(16/5/49)	20043.90	20180.92	(c)	20180.92	6/5	17303.65	10/1
Nikkei 300(1/10/82)	291.84	293.64	(c)	293.64	6/5	251.04	27/1
Topix(4/1/68)	1500.52	1509.13	(c)	1509.13	6/5	1329.82	10/4
2nd Section(4/1/68)	1713.66	1710.64	(c)	1829.21	6/1	1516.50	15/4
Malaysia							
KLSE Comp.(4/4/86)	1107.14	1090.00	1094.97	1271.57	25/2	1059.51	29/4
Mexico							
IPC(Nov 1978)	(u)	3798.23	(c)	3838.69	25/2	3359.48	2/1
Netherland							
CBS TtlRtnGen(End 83)	905.0	905.3	900.1	905.30	6/5	730.80	8/1
CBS All Shr(End 83)	527.8	529.2	526.2	529.20	6/5	429.00	2/1
New Zealand							
Cap. 40(1/7/86)	2328.37	2305.24	2276.61	2440.21	30/1	2207.48	1/4
Norway							
Oslo SE(Ind)(2/1/83)	1868.47	1858.14	1855.16	1941.40	20/2	1639.03	2/1
Philippines							
Manila Comp(2/1/85)	2694.40	2776.53	2736.42	3447.60	3/2	2605.85	2/5
Portugal							
BVL 30(4/1/93)	2878.49	2888.97	2889.11	2889.11	5/5	2165.57	2/1
Singapore							
SES All-S'pore(2/4/75)	502.38	498.57	490.97	573.03	17/2	470.94	29/4
South Africa							
JSE Gold(28/9/78)	1189.3¶	1212.3	1205.7	1588.10	27/2	1181.80	2/5
JSE Ind.(28/9/78)	8503.6¶	8566.7	8563.4	8668.70	6/5	7859.50	2/1
South Korea							
KoreaCompEx**(4/1/80)	699.10	701.57	(c)	721.00	14/2	611.05	7/1
Spain							
Madrid SE(30/12/85)	524.12	524.21	525.85	525.85	5/5	434.54	2/1
Sweden							
AffarsvarldGen(1/2/37)	2783.0	2777.7	2772.0	2832.40	10/3	2378.59	2/1
Switzerland							
Swiss Bk Ind(31/12/58)	(u)	2388.39	2382.93	2382.93	5/5	1817.55	13/1
SBC General(1/4/87)	(u)	1650.67	1662.52	1662.52	5/5	1318.14	6/1
Taiwan							
Weighted Pr.**(30/6/66)	8427.07	8294.27	8268.43	8661.72	29/4	6844.75	6/1
Thailand							
Bangkok SET(30/4/75)	626.57	643.28	(c)	858.97	22/1	626.57	7/5
Turkey							
IMKB Nat 100(1986)	1478.00	1433.00	1392.00	1654.00	21/3	895.00	2/1
WORLD							
MS Capital Intl(1/1/70)	874.0*	874.9	866.1	874.90	5/5	794.50	14/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	2288.10	2289.32	(c)	2289.32	6/5	1863.80	2/1
Euro Top-100(26/6/90)	1953.27	1951.35	1937.37	1953.27	7/5	1582.99	2/1
HSBC JC Drgn(31/12/88)	(u)	400.18	397.04	429.46	30/1	381.54	29/4
ING Brngs Emrg(7/1/92)	175.49	174.68	174.65	181.38	28/2	150.74	3/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x Index)							
May	2644.0	2630.0	-15.0	2656.0	2618.0	9,840	25,747
Jun	2620.0	2606.0	-15.0	2629.5	2597.0	735	23,742
DAX							
Jun	3652.0	3537.0	-13.0	3570.0	3530.5	13,891	154,458
Sep	3584.5	3562.5	-11.5	3590.0	3561.5	93	-
OMX							
May	2160.00	2174.00	+6.00	2190.00	2159.00	2,757	24,421
SOFFEX							
May	4986.5	5017.0	+33.0	5021.0	4986.5	2,023	25,745
Jun	4993.5	5002.0	-59.5	4993.5	4993.5	10	979

** Sat May 3: Taiwan Weighted Price 8314.67; Korea Comp Ex 704.67. Base values of all indices are 100 except: Australia All Ord and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals 6 Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; IMKB Nat 100 – 1; NYSE All Common – 50; Standard & Poor's – 10 and Amex Comp – 550. §§ Montreal. ‡ Toronto. (c) Closed. (u) Unavailable. † SBS/DAX after-hours index: May 7 - 3537.45 -11.27. † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

US INDICES

Dow Jones	May 6	May 5	May 2	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7225.32	7214.49	7071.20	7241.78 (6/5)	6391.69 (11/4)	7241.78 (6/5/97)	41.22 (8/7/32)
Home Bonds	101.98	101.98	101.89	103.63 (19/2)	101.08 (14/4)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2603.67	2624.01	2605.83	2624.01 (5/5)	2222.07 (2/1)	2624.01 (5/5/97)	13.23 (8/7/32)
Utilities	227.89	226.52	220.72	240.85 (22/1)	209.47 (25/4)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 7299.98 (7232.15) Low 7139.43 (7029.46) (Theoretical♦)
Day's high 7269.47 (7215.29) Low 7127.10 (7056.35) (Actual♦)

Standard and Poors	May 6	May 5	May 2	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	827.76	830.24	812.97	830.24 (5/5)	737.01 (2/1)	830.24 (5/5/97)	4.40 (1/6/32)
Industrials¶	971.57	976.58	954.41	976.58 (5/5)	865.42 (11/4)	976.58 (5/5/97)	3.52 (30/6/32)
Financial	94.44	93.86	92.81	97.25 (10/3)	80.75 (2/1)	97.25 (10/3/97)	7.13 (4/9/74)
NYSE Comp.	430.77	431.43	422.97	431.43 (5/5)	389.47 (11/4)	431.43 (5/5/97)	4.64 (25/4/42)
Amex Comp.	570.51	572.58	568.50	603.83 (10/3)	541.20 (28/4)	617.81 (22/5/96)	524.20 (16/7/96)
NASDAQ Cmp	1328.30	1339.24	1305.33	1388.06 (22/1)	1201.00 (2/4)	1388.06 (22/1/97)	54.87 (3/10/74)

RATIOS

	May 2	Apr 25	Apr 18	Year ago
Dow Jones Ind. Div. Yield	1.73	1.82	1.82	2.21
	Apr 30	Apr 23	Apr 16	Year ago
S & P Ind. Div. yield	1.75	1.80	1.82	1.86
S & P Ind. P/E ratio	22.89	22.19	21.85	21.60

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Phip Morris	17,330,700	41½	-2½
GTE Corp	13,726,200	45	-2½
Cntrl& Sth	7,149,000	22¼	+1⅞
Ford	6,198,100	35⅝	+½
PepsiCo	5,611,400	36½	-⅛
AT&T	5,552,800	33¾	-⅛
Coca Cola	5,369,500	66½	+⅛
Amer Online	4,811,500	45¾	-1⅞
Chrysler	4,754,500	30⅝	+¾
Appld Mgntc	4,216,900	31	+1⅞

TRADING ACTIVITY

● Volume (million)	May 6	May 5	May 2
New York SE	593.003	552.578	499.731
Amex	21.773	21.359	18.322
NASDAQ	756.387	847.810	734.847
NYSE			
Issues Traded	3,342	3,338	3,341
Rises	1,258	1,974	2,129
Falls	1,270	880	482
Unchanged	814	684	730
New Highs	207	290	196
New Lows	16	11	17

	Open	Latest	Change	High	Low	Est. vol.	Open int.
S&P 500							
Jun	834.50	831.50	-3.35	834.70	830.25	82,320	186,242
Sep	839.80	839.90	-3.45	840.00	838.80	1,098	7,073

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Nikkei 225							
Jun	20070.0	20060.0	-110.0	20300.0	20030.0	24,118	230,546
Sep	20150.0	20100.0	-140.0	20290.0	20080.0	385	5,286

Open interest figures for previous day.

TOKYO - MOST ACTIVE STOCKS: Wednesday, May 7, 1997

	Stocks Traded	Closing Prices	Change on day
Nippon Steel Cp	19.2m	387	
Nomura Secs	11.9m	1580	+40
Mitsubishi Hvy	9.0m	858	+11
Matsushita E Ind	6.4m	2300	+30
Mitsui Co.	7.7m	990	+7
Hitachi	7.4m	1260	-20
NKK Corp	6.8m	281	-5
Daiwa Secs	6.0m	900	+20
Minebea	4.9m	1130	+40
Kawasaki Steel	4.7m	389	+2

Prices supplied by Telekurs, part of FT Information.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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4 pm close May 7

NEW YORK STOCK EXCHANGE PRICES

- A -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
32	24¼	AAR x	0.48	1.5	24	230	31½	31⅛	31¼	-⅜
43	33¼	AMP x	1.04	2.7	30	7835	38½	37¼	38¼	+1¼
55¼	78¼	AMR			7	5888	94½	81¾	93	+1⅛
37⅝	31⅝	ASA	1.20	3.7	31	807	32⅞	31⅛	32¾	+⅛
63¾	49¾	AbbtL x	1.00	1.7	25	10086	u63¾	62½	62⅝	-⅝
17½	14⅛	AbtMtl Pr	0.40	2.4	8	229	17⅛	17	17	-½
16¾	17⅛	ABM Ind	0.40	2.1	17	146	19¼	10	10⅛	+⅛
23	17¾	Acptncein			6	677	16½	16⅛	16⅞	-⅝
66⅝	56⅛	ACE Ltd	0.72	1.2	9	473	61	60⅛	60¾	-¼
18¾	10	ACM Gvt In x	0.80	0.8	11	368	18⅝	18¾	10¼	-⅛
7⅝	7	ACM GvOpp x	0.63	0.8		338	7½	7⅜	7⅛	-⅛
8⅞	0¼	ACM Man x	0.90	9.4		148	9⅝	8½	9⅝	
10⅛	6⅞	Acme Elect				80	7⅛	6⅞	7	
20	13¼	Acme Mills				53	15	14½	14½	-⅜
17⅛	14	ACNielsen			31	3103	u17⅜	16½	17¼	+1¼
33	27¼	Acordia	0.08	2.5	15	125	81⅞	31⅛	31⅛	-⅛
29¾	31⅝	Acuson				1313	25⅞	24⅞	25½	+⅛
21⅛	19⅜	Adams Expr	0.55	2.6	1	211	21⅛	21¼	31¼	-⅜
46½	24⅞	AdvMic				17726	44½	42½	43⅝	+¾
15	19⅜	Advest Grp	0.03	0.2	10	54	13⅞	13¼	13⅞	+⅛
14⅜	11¾	Advo Inc			18	284	12⅝	13⅜	13⅜	
73⅝	61⅛	Aegon	1.45	2.0	28	113	72½	72	72¼	-½
5⅛	3⅛	Aerflx				131	4	3⅞	3⅞	-⅛
43⅛	33	Aero-V	0.80	1.9	12	659	42	41⅛	41⅛	-½
68	48	AES Corp				z0	67½	37⅛	67⅛	-⅛
97¾	73	Aetna x	0.00	0.8	71	11600	u98¼	95⅝	96⅝	+¾
45⅞	37½	Aflac	0.46	1.9	18	1603	44¼	43⅞	44½	+½
31⅛	19¼	AGCO	0.04	0.1	11	z0	28⅛	28¾	28¾	+1⅛
31⅜	18⅜	AGL Res	1.00	5.5	13	881	19⅞	16½	18⅛	-¼
45¼	32	Ahmann	0.88	2.2	28	3161	40⅝	39¼	39⅞	-1⅛
77⅝	60⅛	AirPrC x	1.10	1.5	20	1251	72⅛	72⅞	72⅞	-1⅛
36¾	22¾	Airbrne Frt x	0.00	0.0	10	1799	36⅜	35⅝	36¾	-⅛
24½	13½	Airgas			24	1237	16⅞	15¾	15⅞	-⅛
17⅝	10	Airlease x	2.42	31.9	8	32	11¼	11⅛	11⅛	
29⅜	22	AirTch			63	5958	25½	24¾	24⅞	-⅛

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4 pm close May 7

NYSE PRICES

1997 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
Continued from previous page										
39¾	34⅛	SFePPipe x	3.00	8.3	8	64	36⅜	36	36¼	+⅛
43¾	36⅝	SaraLee	0.84	2.0	21	4289	42¾	42	42⅛	-¾
60¾	48⅞	SBC Cm.	1.79	3.2	15	12299	56⅝	55¼	55⅞	-1⅞
26⅞	23⅞	Scana Corp	1.51	6.2	12	1498	25	24⅜	24⅜	-⅝
9	7⅞	SchaerRA	0.26	3.2	31	15	8¼	8⅝	8¼	+⅛
62	44½	SchererRP			32	803	47½	47¼	47½	+¼
85⅞	69½	ScheringPl x	1.52	1.9	23	7808	84⅜	81¼	81⅜	-3
118⅞	95	Schlmb	1.50	1.4	30	7005	114⅛	109¾	109⅞	-3¼
12⅞	9⅞	Schlr	0.12	1.2		z0	10⅛	10⅜	10⅞	
42	30⅜	Schwab(C)	0.20	0.5	23	2215	37¼	36½	36⅝	-⅞
26⅝	29⅞	SchMaud	0.60	1.8	13	292	33½	33¼	33¼	-⅝
18⅞	14¼	SciAtl§	0.06	0.3	58	1790	17⅞	17¼	17½	+⅜
29⅞	23	Scotsmn	0.10	0.4	13	86	25¾	25½	25½	-⅜
13¾	12⅞	ScottishNeF	0.03	0.2		119	13	12¾	12¾	-⅛
15½	13⅝	ScuddrNEuF	0.06	0.4		116	15⅜	15¼	15⅜	
19¼	15⅛	SeaCpA x	0.77	4.0	16	672	u19⅜	19⅛	19¼	
16⅜	15⅛	SeaC1.4625	1.46	9.5		5	15½	15⅝	15⅝	
58¼	37⅞	Sgate				17 22150	53⅞	51½	51⅞	-⅞
42¾	35¾	Seagrm	0.65	1.7		3553	40¼	39⅛	39¼	-1
24⅛	15¾	Seagull En			31	6694	18⅛	17⅜	17⅜	+⅜
48	39¾	Sealed Air			27	1144	47¼	46¾	47⅛	
58¾	44⅝	SearsR	0.92	1.8	16	6617	50⅞	49⅝	49¾	-⅜
25	21	SeCpS8%	1.30	5.7	13	271	22⅞	22½	22¾	-⅛
12⅞	12¼	SeligmSel	0.84	0.7		32	12½	12⅜	12½	+⅜
18	14½	Sensormat x	0.22	1.4		1018	15⅝	15⅜	15⅝	-⅛

1997 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
11½	10¾	ZweigFd§	1.16	10.2		170	11⅜	11¼	11⅜	+⅛
8¾	8	Zweig Tott	0.84	9.6		393	u8¾	8⅝	8¾	+⅛

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. dv-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
§ Dealings suspended.

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AMEX PRICES

4 pm close May 7

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
NY Tim A	0.60	21	2436	44⅞	43⅝	44⅛	+⅞

NASDAQ NATIONAL MARKET

4 pm close May 7

- J -

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
J&J Snack		23	67	14⅜	13⅞	14	-⅜
Jason Inc		14	15	8	d8	9	
Johnson W			8	10¾	d10¾	10¾	-¾
Jones Int			168	9⅛	8⅞	9⅛	+¼
Jones Med	0.08	44	2754	35¼	33¼	35	+1
JSB Fin x	1.40	16	78	43½	41½	43½	+1
Juno Ltg	0.32	14	678	18½	18	18	-⅜
Justin	0.16	14	460	11.99	11¼	11⅞	+¾

- K -

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
K Swiss	0.08	328	27	13⅛	12¾	13⅛	+⅜
Kaman Cp	0.44	25	183	13⅞	13⅝	13⅞	+⅜
Kelly Sv	0.84	14	142	28¼	27¾	27¾	
Kimball	1.04	13	241	38⅝	37⅞	38¼	-⅞
KLA-Tn		25	12189	50⅞	48¾	49	-1
Koll A			2051	⅛	d1/32	⅛	
Komag§		20	9249	33½	32	33⅛	+¾
Kulicke S			4733	32¼	30¾	31⅜	-1/16

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
PhyeCpAm			1617	5¾	5 9/16	5 11/16	
Picturetel		13	6767	12	11	11½	-⅝
PioneerGp	0.40	85	408	26⅛	25⅞	26⅛	+¼
PioneerSt	0.12	11	1535	12⅛	d11⅞	11⅝	-⅛
Pixar		29	1658	15⅞	14½	15⅛	+5/16
PlHwdA		36	985	18⅛	16¾	18	-⅛
PLDTel		6	z0	5	5	5	+1/16
Pocahk x	0.06	7	259	18	17½	18	+½
Powell		14	672	u15¼	14½	15	+¾
PresCas			489	⅝	d½	⅝	-1/16
Pres Life	0.20	12	2023	15⅜	15⅛	15 7/16	-1/16
Presstek		132	915	73	69¼	70¼	-1
PridePt§		8	4660	17⅝	17⅛	17⅛	-¼
Pristroni		16	320	14⅛	13¾	13¾	
Prod Ops x	0.20	29	39	58½	57¼	58½	+⅜
Qualcomm		106	13829	53¾	51¼	52¼	+¼
Qual Food		22	z0	40	40	40	
Quantum		27	31171	48⅝	46½	47⅝	-1/16
Quickslvr		15	156	24⅝	24	24½	-⅜
Quintiles		185	4141	57½	54¾	55¾	-1

- R -

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
Rainbow§		11	289	15¾	14¼	14¾	-½
Rallys			197	3 1/16	2 27/32	2 27/32	-1/16
Raymond	0.25	15	499	30¾	20	30⅛	-⅜
RCSB Fin	0.60	11	1028	31¾	30⅞	31⅝	+⅜
Read-Rite			15580	29½	28	28½	+⅛

- W -

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
Wang Lab			1925	16⅛	16¾	16⅞	
Warrntech		32	1610	10⅞	9⅝	10 13/16	+15/16
WashMut x	1.00	14	17846	52¾	51¾	51⅝	-13/16
WatsindA	0.31	16	151	25¾	25⅛	25⅛	-⅛
Wausau PM	0.25	14	855	19⅞	19⅛	19½	-¼
WD-40	2.48	20	45	58¼	55½	80	+¼
Werner En x	0.10	16	937	20¼	19⅞	20⅛	
Wstern Bnc x	1.04	10	1383	69½	67½	67¾	+¼
WstpStA		21	882	40¼	39¾	39⅞	-⅛
Wst SealA		24	2289	u28¾	27⅜	28	+⅞
Wilmtin	1.28	26	z0	63½	d63½	63½	
WmsSonoma		36	1058	31¾	30⅞	21	+1/16
Wolohan L	0.20	12	27	12⅝	12	12⅝	+⅜
Wrldcm			63911	26⅛	25⅝	25¾	-⅛
Wrthinds	0.48	20	2101	18⅞	16½	18¾	-⅛
WPP ADR	0.10	22	127	41½	40¾	41	-¼
Wyman-Gdn	0.40	29	2534	22½	22⅛	22½	+⅝

- X - Y - Z -

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
Xilinx§		38	24600	u55⅜	51¼	54⅞	+2 1/16
Xircom		18	4188	12¾	12⅛	12½	-⅛
Xoma Corp			1825	5 1/16	4 13/16	4 13/16	-⅛
Yellow			836	20⅝	20	20¼	-⅜
York Rsch		15	108	7⅞	7⅝	7⅝	-⅛
ZionsUtah	1.76	16	261	132½	129⅞	131¼	+1

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Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$7.125		8	8.25	7	Esprit Telecom ADS	US$5.75	-0.125	13800	12.25	5.75
Artwork Systems	US$10.375		12900	11	9.5	Innogenetics	US$11.5	-0.125	22290	12.75	10.375
Chemunex	FFr16		33518	18	18	Mercer Internatl.	US$8.375xd	+0.375	0	11.75	8.125
Dr Solomon's ADS	US$22.625	+0.75	8	26.5	18.875	PixTech	US$4.375	-0.125	50	6.125	4.25

Prices for 7/5/97. Please note that mid prices are now used to calculate highs and lows.

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Dow slips back as bond yields rise

AMERICAS

Falling bond prices helped to take the shine off US blue chips at midsession, and the market lost some of the gains made in recent record-breaking eessions, *writes Jane Martinson in New York.*

The Dow Jones Industrial Average fell 56.59 to 7,168.73 at 1pm in relatively active trading of 276.85m shares.

Both bonds and US stocks started the day down in anticipation of an auction of 10-year notes.

Mr Jeffrey Applegate, chief investment strategist of Lehman Brothers, said that there was no fundamental reason for the downturn. "The equity market is fairly stretched in interest rate valuations compared to bonds, so when bonds go down equities are likely to go down with them," he said.

The Dow saw by far the greatest decline after achieving the etrongest growth over the previous two days. Elsewhere, trading was more mixed. Traders were particularly optimistic about the steadier performance of the technology-driven Nasdaq composite index, which was up 2.92 at 1,331.22. Traders were hopeful that the index would lead others in a further rebound.

Tha broader-based S & P composite index lost 3.28 at 824.48, while the Russell 2000, a smaller company index that has been moving up in the past two weeks also followed the larger market down.

Blue chips were broadly lower with financials, retailers and consumer groups all contributing to the setback.

The Walt Disney group was down $1⅛ or 1.4 per cent at 81¼, while J.P. Morgan fell $1⅝ to $103¼.

Among Nasdaq etocks, Dell computers was one of yesterday's star performers, with a $3¼ or 3.5 per cent rise to $96⅝.

CNA Financial, traded on Amex, fell $1⅛ to $100⅛ after the large general insurer disappointed the market with results thet were significantly below that of expectations.

TORONTO drifted lower as sentiment continued to suffer from the backwash from the Bre-X Minerals scandal. At noon, the TSE-300 composite index was off 15.06 at 6,114.90.

Gold leaders were a firm feature, with Barrick Gold adding 40 cents to C$32.85 on what dealers described as a flight to quality among sector enthusiasts. But most big capitalisation stocks lost ground.

Bre-X, which disintegrated on Tuesday when trading in the exploration group resumed, was little changed at 8 cents but again well dealt at 14m shares.

SAO PAULO saw preferred shares of Cia Vale do Rio Doce, the state mining paper and pulp conglomerate, drop 6.5 per cent at midsession on profit-taking amid some disappointment that the company's privatisation auction on Tuesday had not drawn a higher premium.

The shares fell R$1.80 to R$26, and contributed to a fall of 76 in the Bovespa index to 10,143.

South Africa lower after shake-out

Shares in Johannesburg ran toto profit-taking, reversing a five-session upward burst that had lifted the all-share index by nearly 140 points to best-ever levels.

At the close, the all-share index was off 51.2 at 7,160.7, pushed down by clear weakness to both industrials and golds.

Industrials fell 65.1 to 8,503.6 and golds tumbled 23.0 to 1,189.3.

Golds had the worst of the day with all sorts of negative talk about the bullion price running around the market.

Kloof tumbled 55 cents to R30.55.

Among industrials, South African Breweries shed 25 cents to R132.75.

Emerging markets: IFC weekly investable price indices

Market	No. of stocks	Dollar terms May 2 1997	% Change over week	% Change on Dec '96	Local currency terms May 2 1997	% Change over week	% Change on Dec '96
Latin America	(280)	643.67	+1.4	+19.6			
Argentina	(30)	1,072.11	+3.5	+12.9	857,581.89	+3.5	+12.8
Brazil	(88)	516.87	+2.2	+30.9	2,085.53	+2.3	+34.1
Chile	(46)	727.26	+1.7	+17.3	1,218.71	+1.7	+15.6
Colombia[1]	(14)	815.71	-0.7	+28.8	1,543.33	-0.2	+36.8
Mexico	(64)	587.44	-0.7	+10.9	2,009.67	-0.4	+11.5
Peru[2]	(19)	244.84	+2.1	+24.3	399.33	+2.2	+27.5
Venezuela[3]	(9)	722.02	+2.0	-0.6	7,991.09	+2.1	+0.2
Asia	(710)	238.74	-1.3	-5.6			
China[4]	(27)	84.19	+3.0	+14.2	88.15	+3.1	+14.1
South Korea[5]	(156)	76.05	+2.8	-1.8	89.27	+2.8	+4.0
Philippines	(42)	235.06	-9.0	-19.9	299.46	-9.0	-19.7
Taiwan, China[6]	(90)	170.55	-4.7	+11.3	177.16	-4.8	+12.0
India[7]	(78)	95.19	-0.2	+20.8	120.80	-0.3	+20.5
Indonesia[8]	(49)	119.79	-2.0	-8.2	158.26	-2.2	-3.4
Malaysia	(148)	301.13	+0.9	-10.5	278.85	+0.8	-11.1
Pakistan[9]	(28)	233.89	+0.6	+19.4	428.19	+0.6	+19.8
Sri Lanka[10]	(5)	113.28	+4.4	+19.1	146.50	+4.6	+24.5
Thailand	(87)	174.35	-4.6	-21.2	180.73	-4.5	-19.8
Euro/Mid East	(264)	186.73	+0.9	+18.7			
Czech Rep	(7)	60.69	-3.4	-13.6	62.43	-2.9	-1.7
Egypt	(16)	106.17	-1.3	-	105.02	-1.3	-
Greece	(54)	336.98	+1.1	+38.0	628.87	+1.3	+54.8
Hungary[11]	(12)	254.30	+3.2	+29.3	567.62	+3.7	+45.8
Jordan	(7)	188.12	-1.4	+0.9	280.74	-1.4	+0.6
Morocco	(5)	131.56	0.00	-	136.66	+0.3	-
Poland[12]	(30)	728.00	-1.6	-0.6	1,447.83	-1.4	+9.8
Portugal	(28)	171.75	+6.9	+17.5	204.95	+7.5	+31.4
Russia	(15)	116.32	+6.4	-	119.16	+6.7	-
Slovakia	(5)	107.09	+0.1	-	116.89	-0.2	-
South Africa[13]	(63)	238.03	+1.3	+34.1	218.81	+1.3	+8.6
Turkey[14]	(58)	187.69	-3.5	+26.2	12,024.36	-2.5	+57.7
Zimbabwe[15]	(5)	588.53	-1.3	+24.3	980.78	-1.3	+29.9
Composite	(1224)	316.51	+0.1	+7.3			

Indices are calculated at end-week; weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 5 1992; (8)[illegible] 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1988; (15)Aug 2 1993; (16) July 3 1995.

Karachi share prices rose 1.3 per cent yesterday as investors responded to a series of market-friendly measures announced by the government on Tuesday, *writes Farhan Bokhari in Islamabad.*

The KSE-100 index closed up 19.81 at 1,561.12. Analysts said that the decision to extend the exemption from the capital gains tax on shares until 2001, well beyond its original expiry date of next year, would help to encourage long-term investors.

A turnover tax of 0.5 per cent was abolished, while the government's decision to exempt foreign investors from a 60 per cent withholding tax on investments in bonds also helped to lift the market.

"The encouragement to foreign investments coming toto bonds means that the private sector will now be able to tap to to an additional source of credit. This will improve corporate profitability," said one foreign banker in Karachi.

Mr Sartaj Aziz, finance minister, said that he hoped to finalise a new medium-term loan agreement with the IMF by September.

Many investors were closely monitoring Pakistan's efforts to seek a fund agreement, which was expected to improve the country's chances of seeking fresh loans from foreign commercial banks to fund its current account deficit.

While some analysts, recently, had predicted that Pakistan might default on its foreign debt, the overwhelming opinion was that the country would muddle through with more borrowings. However, Mr Aziz agreed that a strong recovery in exports would be needed to trim the current account deficit so that the country could meet its external obligations.

Bourses fall back on profit-taking

EUROPE

Weakness in tha dollar, bonds and, later, in the Dow persuaded most bourses that more profit-taking was in order ahead of today'a Ascension Day holiday. **FRANKFURT** was led lower by its stock of the year, Volkswagen, as the Dax index came back 11.07 to an Ibis-indicated 3,587.45.

VW ended DM47 or 3.9 per cent lower at DM1,147, but the carmaker was coming back after a 1997 gain of 88 per cent. Bayer dropped DM1.80 or 2.6 per cent to DM66.90 although it said that its DM460m compensation for families of Aids victims in the US, infected by tainted blood products between 1978 and 1985, would not affect profits since the payouts were covered by insurance and provisions.

Among the winners, Lufthansa rose another 49 pfg to DM26.98 after the airline posted its first ever fourth-quarter profit, and forecast higher returns in 1997. Veba, too, climbed further, tha energy-based combine gaining DM1.58 at DM94.45 following Tuesday's better than expected first quarter.

PARIS gave up early gains to close with the CAC 40 index off 8.62 at 2,643.31.

Carrefour and Saint Gobain were bright spots. The retail leader rallied FFr34 to FFr3,722, helped by a "market outperform" rating from Goldman Sachs. An upbeat analysts' meeting left Saint Gobain FFr7 better at FFr789.

Bancaire fell FFr26 to FFr727 for a two-day decline of 5 per cent following a broker downgrade. Lagardère and Alcatel Alsthom, which formally lodged their bids for Thomson-CSF, were also weak. Lagardère came off FFr4 to FFr176 and Alcatel by FFr6 to FFr647.

Among smaller capitalisations, management changes pushed Casino down FFr3.50 to FFr272. Cap Gemini fell FFr6.50 to FFr341.90 on disappointing sales.

AMSTERDAM drifted lower in another session of very narrow trading. The AEX index ended down 5.77 at 775.99 with up to four points of the downturn possibly caused by constituent companies going ex dividend.

Financials were weak with ING shedding Fl 1.60 to Fl 77.70 and Fortis Amev Fl 1.60 to Fl 74.60. Unilever, which realised less than expected on the sale of its specialty chemicals operations, retreated Fl 2.50 to Fl 379.50.

Stork finalised a big gas field renovation contract and added Fl 2 at Fl 84.40.

MILAN's bout of profit-taking left the real-time Mibtel index down 98 at 12,326.

Edison fell L492 to L8,279 after Eni and Enel reached agreement to set up a power generating venture. HPI was down another L36.7 at L843 as the stock continued to suffer from the failed merger with Marzotto. Mediobanca, which had brokered the deal, fell L89 to L10,287, while Marzotto picked up L498 to L13,309.

Ifil rose L30 to L5,203 but Rinascente, planning a capital increase, tumbled L772 to L8,586 following Tuesday'e deal with Auchan.

Benetton collected L98 at L23,716 on its forecast of a 6 to 7 per cent sales increase this year.

ZURICH erased some of Tuesday's losses as it headed back towards record territory and the SMI index recouped 27.6 at 5,016.0.

Nestlé, lower during the previous session after first-quarter sales figures failed to live up to some expectations, recouped SFr17 to SFr1,819 after presentations to analysts in Zurich and London had sought to paint a more positive outlook.

Cyclicals found favour, with ABB, up SFr29 to SFr1,853, proving one of tha day's best performers.

Analyets eaid that a SFr165 rise in Roche certificates to SFr12,900 might have stemmed from derivatives-linked transactions ahead of tomorrow's dividend pay-out.

Ascom, the telecommunications group, jumped SFr95 or 6.3 per cant as it announced details of the sale of its loss-making Nexion business to a US subsidiary of Fujitsu.

Shares in the Swiss National Bank rediscovered the laws of gravity as investors apparently decided that the rumour-driven 248 per cent surge since the beginning of April had presented too good an opportunity to miss for profit-taking. The shares plunged SFr925 or 35 per cent to SFr1,730 although volume remained tiny at fewer than 3,000 shares.

Several bourses had individual hotshots. In **MADRID**, Argentaria recovered from underperformance, gaining Pta380m or 5.8 per cent at Pta7,120 after the bank said that it would reduce staff dramatically at its Banco Exterior unit. In **BRUSSELS**, Quick sizzled to a close of BFr1,965, up BFr90 on the day and by 12.3 per cent this week; on Monday BBL/Vermeulen-Raemdonck, the broker, raised the hamburger chain from "sell" to "hold".

VIENNA was enlivened by OMV, the energy and chemicals group, up Sch61.60 or 4.4 per cent at Sch1,448 after a healthy first quarter. **HELSINKI** featured TT Tieto, the data systems and software group, FM34 or 8 per cent higher at FM460 on first-quarter profits at the top end of analysts' forecasts.

COPENHAGEN had a mixed bag: Neurosearch put on DKr23 or 6.9 per cent to DKr354 after the biotech company announced first clinical trials, to be held in Britain, of NS 2710, a new anti-anxiety medication, but SAS, the airlina group, dropped DKr3.90 to DKr66.10 following Tuasday's SKr269m first-quarter loss.

ISTANBUL added to Tuesday's 3 per cent recovery with a rise of another 3.1 per cent as liquidity improved and investors looked beyond the political worries that had put the market under pressure in previous sessions. The IMKB National-100 index jumped 45 to 1,478.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

FTSE Actuaries Share Indices

THE EUROPEAN SERIES

May 7 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2287.84	2287.40	2288.52	2288.10	2288.54	2289.19	2289.17	2288.19
FTSE Eurotrack 200	2324.88	2324.21	2327.64	2331.09	2331.20	2330.90	2329.01	2328.20

	May 6	May 2	May 1	Apr 30	Apr 29
FTSE Eurotrack 100	2289.32	2247.26	2229.09	2224.77	2210.83
FTSE Eurotrack 200	2325.75	2278.80	2264.94	2260.76	2251.95

Base value 1000 (26/10/90); High/day: 100 - 2290.13; 200 - 2333.43 Low/day: 100 - 2285.31 200 - 2320.58. † Partial.
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Cabinet reshuffle sends Taipei higher

ASIA PACIFIC

Plans for a cabinet reshuffle sent **TAIPEI** sharply higher. Turnover rose to what brokers described as a sizzling T$107bn as investors piled into electronics shares.

The presidential call for cabinet changes was interpreted by brokers as the first step in a crackdown on the crime wave which bas undermined market sentiment in recent weeks. At the close the weighted index was 132.80 or 1.6 per cent higher at 8,427.07.

United Micro and Taiwan Semiconductor both surged more than 8 per cent, rising T$4 to T$70 and T$6 to T$103.5 respectively.

TOKYO took profits after racking up substantial gains in its preceding five-day winning streak, *writes Gwen Robinson.*

The Nikkei 225 average fell 132.02 to 20,048.90 after moving between 19,952.10 and 20,237.32. There were growing concerns that stock prices had risen too rapidly, with the key index up more than 1,500 points in just five trading days, and more than 8 per cent since April 25.

Foreign investors continued to buy actively following New York'e record high. Bargain-hunting by fund managers and continued steady buying by domestic pension funds were also noted, but a wave of profit-taking by domestic institutional investors brought the Nikkei back ehortly before the close.

Volume eased from 715m shares to an estimated 580m. Declines led advances 676 to 443, with 148 unchanged. The Topix index of all first-section stocks shed 8.61 to 1,500.52 and the capital-weighted Nikkei 300 was off 1.70 at 291.94.

Securitiee houses rose nearly 1.5 per cent as the recent scandal over Nomura Securities' illegal trading activities was digested. Nomura added Y140 to Y1,580, Nikko Y21 to Y750, Yamaichi Y13 to Y365 and Daiwa Y20 to Y900.

Many blue-chip issues retreated on profit-taking. TDK fell Y50 to Y9,350, Toyota Y90 to Y3,940 and Bridgestone Y80 at Y2,860. However, Sony added Y130 to Y9,680 after a record high of Y9,670, Honda advanced Y20 to Y4,100 and Matsushita Electric Industrial added a further Y30 to Y2,300 on its announcement of its entry into Britain's digital broadcasting business.

Olympus Optical gained Y40 to Y1,100 on reports that profits would surge 50 per cent in the current business year to March. NTT, however, fell Y7,000 to Y990,000 after substantial gains in recent sessions.

In Osaka, the OSE average fell 94.89 to 21,097.16 and volume surged to 87.9m shares.

In London, tha ISE/Nikkei 50 index closed down 0.91 at 1,619.91.

BANGKOK took another battering to close with the SET index down 16.71 at 626.57, a two-day decline of 5 per cent.

There was some patchy bargain-hunting late in the session, but investors were said mostly to be cntting financial sector weightings ahead of the compulsory disclosure of non-performing assets from the end of next month.

MANILA paid for a two-day rise of more than 6 per cent, sliding sharply on profit-taking to close with the composite index off 82.18 or 3 per cent at 2,694.40. PLDT fell 35 pesos to 745 pesos and Ayala Land ended off 1.25 pesos at 17.50.

KUALA LUMPUR picked up 1.6 per cent as a combination of local funds and foreign program buying lifted blue chips above the 1,100 point level, ahead of today's Moslem holiday. By the close, the composite index stood 17.14 higher at 1,107.14.

SEOUL tumbled 1.8 per cent, with investors troubled by Tuesday's debt default by Yu Sung, the textile group, and reports that Hansol Group companies had managed a Won7bn fund on behalf of an associate of President Kim Young-sam's son. The composite index lost 12.47 at 689.10.

Trading in Yu Sung was suspended for the day while the Hansol Group's flagship, Hansol Paper, fell Won1,700 to its daily limit of Won19,600.

FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY MAY 6 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY MAY 5 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	228.70	0.4	207.17	181.29	204.87	195.70	0.8	3.89	227.77	206.32	182.50	208.10	194.11	228.73	188.44	209.99
Austria (24)	183.48	1.1	166.20	145.45	164.36	164.31	0.8	1.93	181.47	165.97	145.40	163.40	183.34	195.04	174.70	184.49
Belgium (26)	244.94	0.5	221.88	194.17	219.42	214.83	0.1	3.33	243.64	222.83	195.21	219.38	214.70	244.94	205.88	208.87
Brazil (30)	250.39	1.8	226.82	198.49	224.30	490.66	1.8	1.54	246.06	225.04	197.16	221.56	482.06	250.39	158.22	158.22
Canada (114)	197.56	-0.3	178.96	156.60	178.96	197.22	-0.6	1.99	198.23	181.30	158.83	178.49	198.34	203.31	154.12	182.04
Denmark (32)	368.81	2.0	334.09	292.37	330.39	329.28	1.4	1.64	361.69	330.80	289.80	325.68	324.60	378.98	291.89	296.04
Finland (28)	265.73	1.8	240.72	210.66	238.05	289.31	1.1	1.58	260.94	238.65	209.07	234.96	286.21	268.58	183.06	189.58
France (91)	218.83	-0.2	198.23	173.47	196.03	199.64	-0.7	2.86	219.18	200.48	175.63	197.37	200.96	228.25	188.94	194.57
Germany (58)	207.71	1.5	188.15	164.66	186.07	186.07	1.0	1.51	204.62	187.14	163.95	184.25	184.25	207.71	165.02	165.22
Hong Kong (66)	484.82	1.4	439.18	384.33	434.31	482.28	1.4	3.11	478.23	437.39	383.17	430.62	476.55	514.49	407.56	421.37
Indonesia (27)	229.19	0.9	207.82	181.69	205.32	340.96	0.9	1.60	227.17	207.77	182.02	204.56	338.09	-	-	-
Ireland (16)	338.90	1.6	307.00	268.66	303.59	517.70	0.7	3.01	333.65	305.16	267.33	300.43	316.65	343.35	270.06	274.78
Italy (59)	89.34	1.2	80.93	70.82	80.03	113.92	0.9	2.18	88.28	80.74	70.73	79.49	112.89	96.32	73.26	82.93
Japan (485)	123.64	4.0	112.00	98.01	110.76	98.01	2.9	0.80	118.84	108.69	95.22	107.01	95.22	150.93	107.57	150.93
Malaysia (107)	536.78	-0.3	486.24	425.62	480.86	518.07	-0.3	1.22	538.21	492.25	431.23	484.63	519.55	660.85	512.47	569.94
Mexico (27)	1367.51	1.1	1238.77	1084.07	1225.04	11777.43	0.8	1.23	1352.82	1237.02	1083.88	1217.87	11682.33	1445.68	1110.36	1228.37
Netherland (19)	360.30	1.2	326.38	285.62	322.78	318.73	0.7	2.46	356.10	325.69	285.32	320.64	316.63	360.30	279.88	290.79
New Zealand (14)	86.56	1.3	78.41	68.61	77.54	66.88	1.5	4.24	85.44	78.15	68.46	76.94	65.86	95.60	75.94	81.35
Norway (41)	297.82	0.5	269.79	236.09	266.80	268.54	0.1	2.12	296.39	271.08	237.47	266.88	268.27	321.23	243.72	246.93
Philippines (22)	168.74	2.7	152.85	133.77	151.16	221.97	2.7	0.84	164.31	150.27	131.65	147.95	215.90	-	-	-
Singapore (43)	380.93	1.7	345.07	301.97	341.24	253.89	1.8	1.11	374.56	342.59	300.15	337.29	249.52	448.01	360.08	431.46
South Africa (44)	365.52	0.3	331.11	289.76	327.44	355.86	0.3	2.37	364.29	333.18	291.88	328.02	354.84	370.12	301.49	358.58
Spain (35)	234.92	0.0	212.81	186.23	210.45	259.00	-0.3	2.53	234.90	214.84	188.21	211.52	259.88	234.92	171.91	178.37
Sweden (49)	431.19	1.5	390.60	341.82	386.27	498.80	0.1	2.09	424.76	388.49	340.34	382.48	498.01	448.54	334.35	345.13
Switzerland (36)	275.41	0.1	249.48	218.33	246.72	249.99	-0.7	1.32	275.08	251.64	220.38	247.64	251.72	275.41	229.36	238.83
Thailand (43)	73.49	-2.9	66.57	58.26	65.83	74.36	-3.0	4.19	75.66	69.22	60.64	68.15	76.83	184.18	73.49	191.38
United Kingdom (211)	293.10	2.3	265.51	232.35	262.56	265.51	1.3	3.70	286.56	262.09	229.60	258.03	262.09	293.10	228.65	229.78
USA (652)	335.04	-0.3	303.50	265.60	300.13	335.04	-0.3	1.61	336.17	307.47	269.35	302.70	336.17	336.17	254.76	261.64
Americas (823)	306.21	-0.3	277.38	242.74	274.30	257.61	-0.3	1.61	307.12	280.90	246.08	276.55	258.61	307.12	233.09	239.28
Europe (726)	253.66	1.3	229.76	201.08	227.23	235.98	0.6	2.89	250.33	228.95	200.57	225.40	234.59	253.66	204.71	208.95
Nordic (150)	374.70	1.5	339.42	297.03	335.66	373.29	0.5	1.93	369.09	337.57	296.72	332.34	371.58	385.85	291.45	296.62
Pacific Basin (883)	142.28	3.2	128.89	112.78	127.46	111.17	2.4	1.30	137.88	126.09	110.46	124.14	108.55	173.51	127.16	173.51
Euro-Pacific (1609)	188.73	2.1	170.96	149.61	169.07	158.31	1.4	2.07	184.75	168.96	148.03	166.36	156.14	191.61	173.55	187.33
North America (766)	326.58	-0.3	295.84	258.89	292.56	325.89	-0.3	1.82	327.69	299.70	262.55	295.06	327.02	327.69	248.65	255.43
Europe Ex. UK (515)	226.96	0.8	205.59	179.92	203.31	214.66	0.2	2.10	225.17	205.94	180.41	202.75	214.26	226.96	185.86	189.34
Pacific Ex. Japan (398)	301.15	0.8	272.78	238.72	269.78	262.26	0.8	2.81	298.72	273.21	239.35	268.98	259.88	320.65	268.97	291.77
World Ex. US (1824)	192.18	2.0	174.09	152.35	172.16	164.30	1.3	2.06	188.42	172.33	150.97	169.66	162.22	193.47	176.94	188.37
World Ex. UK (2265)	232.39	0.7	210.51	184.22	208.16	207.98	0.4	1.76	230.68	210.98	184.83	207.72	207.07	232.39	199.58	208.73
World Ex. Japan (1991)	295.96	0.3	268.09	234.61	265.12	286.31	0.1	2.17	295.06	269.86	236.41	265.68	286.13	295.96	233.10	238.78
The World Index (2478)	237.58	0.9	215.21	188.33	218.83	213.26	0.5	1.94	235.48	215.37	188.68	212.04	212.17	237.58	202.32	210.65

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